

Horizontal networks and collaborative marketing in the Tasmanian wine industry

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Abstract

In the past thirty or so years, an increasing number of organisations have formed business-to-business relationships as an alternative to traditional market exchange. Much of the literature in this area focuses on the nature of dyadic relationships or vertical networks between heterogeneous businesses in a supply chain. Far less research has examined how competitors interact at a network level, and, more specifically, why these organisations would choose to engage in collaborative marketing. This thesis examines the nature of horizontal networks and collaborative marketing in the context of the Tasmanian wine industry. It uses network theory to explore the phenomena of inter-producer relationships within a specific wine region of Australia. The research is guided by the following questions: why do Tasmanian wine producers join horizontal networks, what types of collaborative marketing do Tasmanian wine producers engage in within horizontal networks, and what factors affect collaborative marketing between Tasmanian wine producers in horizontal networks.

Qualitative data were gathered via in-depth interviews with firstly, industry informants, and secondly, individual wine producing businesses. These data were supplemented with information drawn from websites, industry publications, and news sources. A key aim of the study was to explore how horizontal networks are perceived by Tasmanian wine producers, and to what extent these businesses engage in collaborative marketing. Analysis of the data revealed that there are three horizontal networks within the Tasmanian wine industry, which are all of a formal nature. While these networks share a similar purpose, there was divergence between how successful each network's attempts at collaborative marketing had been. Furthermore, certain horizontal networks in the industry boasted higher levels of member trust, commitment, mutual benefit, and camaraderie. These factors have led to differences in the way each network is perceived, and the benefits of collaboration each offers. Parallels between Tasmania's only state-wide industry association and the state's largest sub-regional network, have resulted in some conflict and rivalry which, going forward, may restrict the implementation of collaborative marketing at a state-wide level.

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CHAPTER ONE

INTRODUCTION TO THE THESIS

1.1 Introduction

As the opening chapter of this thesis, Chapter One will present a background to the research problem and an overview of the research area. An introduction to the theory underpinning the study will be provided first. After this, a description of the industry context for the research is offered. The research aim and the research questions that guide the study will then be identified, followed by an explanation of how the thesis will be structured.

1.2 Background to the research problem

For the past thirty or so years, the field of marketing has been undergoing definitive change. Where once academics and practitioners focused on the implementation of the traditional marketing mix in a consumer context, greater emphasis is now being placed on the need for firms to practice relationship marketing with all stakeholders, adopt a market orientation, and manage their supply chains strategically (Achrol, 1997; Brodie, Coviello & Winklhofer, 2008; Grönroos, 1989; 1994; Wilkie & Moore, 2003). This paradigmatic shift has been coupled with the demise of the more traditional, and economically-derived, marketing perspectives. For example, key authors (see, for example, Grönroos, 1989; 1994) have questioned the viability of production-oriented organisations and the value of a transactional approach to marketing. Scholars are also moving away from studying the exchange of tangible goods, toward the exchange of intangible services, expertise, knowledge, and processes (Vargo & Lusch, 2004).

The changing nature of industrial markets and the dynamics of inter-organisational relationships are also receiving a strong degree of academic attention (Borgatti & Foster, 2003; Halinen, Salmi & Havila, 1999; Turnbull, Ford & Cunningham, 1996). An increasing number of firms have adopted a more strategic orientation to value creation. This has coincided with many industrial markets being restructured away from hierarchies, and into networks characterised by long-term relationships between firms (Day & Wensley, 1983; Fyall & Garrod, 2005; Johanson & Vahlne, 2011).

Firms in the agribusiness sector, which includes food and wine production, have traditionally embraced transactional marketing and supply-chain management (Lindgreen, 2001a). However, the dynamics of these industries are changing. Globalisation, the accelerating pace of technological innovation, and changing consumer preferences, are all creating new challenges and sources of competition (Carson, Gilmore & Rocks, 2004). As such, firms in many industrial sectors (agriculture and tourism included) have recently adopted a more relational approach to their marketing, and begun forming horizontal and vertical linkages (Fyall & Garrod, 2005; Hingley & Lindgreen, 2002; Lindgreen, 2001b).

First introduced in the early 1980s, the term 'relationship marketing' represents an alternative theoretical framework for understanding how firms behave, and how firms acquire and distribute value through interdependence (Berry, 1983; Brodie, Coviello, Brookes & Little, 1997; Christopher, Payne & Ballantyne, 1991; Cravens & Piercy, 1994; Grönroos, 1994; Gummesson, 1999). Stemming from the study of relationship marketing with customers (Gummesson, 1999; Christopher et al., 1991), empirical research into strategic alliances (Butler, Phan & Hansen, 1990; Gulati, 1998) and industrial networks (Achrol, 1997; Cravens & Piercy, 1994) has also obtained disciplinary significance. Practitioner interest is also evident in the number of journal articles, books, local and national press stories, research reports, and industry studies that have centred on the topic of relationships and alliances between firms. The management of relationships between firms and their customers, and between firms themselves, has therefore emerged as one of the most pervasive research topics amongst marketing academics and practitioners. However, the theoretical approaches used to study networks are numerous, and relatively

incoherent (Cova, Prévot & Spencer, 2010). This multiplicity in perspectives has generated much confusion about what exactly the term „network’ means (Cova et al., 2010).

The growing practitioner and academic interest in inter-organisational relationships and alliances has also resulted in networks being studied from a diverse range of disciplines; including marketing, entrepreneurship, international business, and tourism (Coviello, 2005). For the purposes of this research, business networks are defined as structures in which three or more actors work together for mutual benefit over the long-term, by jointly undertaking activities and sharing resources, whilst maintaining their separate entities.

Business networks received scant academic attention until the mid 1980s, when a group of European researchers began investigating the interaction of buyers and sellers of manufactured products in industrial markets, and in an international setting (Hägg, Johanson, Forsgren, Håkansson, & Mattsson, 1983; Håkansson, 1982; Turnbull & Paliwoda, 1986). Current network research still exerts a bias towards this buyer-seller vertical model (Chetty & Wilson, 2003). Furthermore, a large portion of this work is oriented towards building theoretical models of networks and testing them, rather than using qualitative techniques to gain a better understanding of network relationships and their dynamics (Carson et al., 2004; Coviello, 2005).

In contrast to vertical networks and the relationships between buyers and sellers, horizontal networks involve non-economic exchange between firms that are situated at the same point in the supply chain (Bengtsson, Hinttu & Kock, 2003; Easton & Araujo, 1992). This unique type of business network is also known as a competitor-based network, because they comprise relationships between competitors (Chetty & Wilson, 2003). Competitors are broadly defined as firms that operate within the same end-product market, and whose actions and behaviour may decrease the performance of others due to the substitution effect of their products (Brandenburger & Nalebuff, 1996). These dimensions create interesting challenges in terms of sharing information, developing trust,

and managing conflict (Cravens & Piercy, 1994; Tidström, 2009). Although members of horizontal networks are classified as interdependent, they maintain their individual entities and thus, they are free to engage in autonomous decision making and activity outside of the network. Whether competitors behave in a collaborative or adversarial way depends on the individual firm and the purpose of the network. Previous research has found that competitors are reluctant to collaborate in business areas that are close to the consumer, such as marketing (Bengtsson et al., 2003). Anecdotal evidence from many industries does, however, suggest that competitors may collaborate for the purposes of marketing when the success of their product relies on the generic reputation and features of its region. In the agricultural sector, farmers have long formed horizontal networks in which they share production-based resources, such as land and equipment, and engage in joint packaging and distribution. Very few researchers have, however, explored the dynamics and outcomes of this type of activity in a formal horizontal network context, and with a specific focus on marketing outcomes.

Collaborative marketing is a relatively new term used to describe a form of network activity, where two or more interdependent firms add to their competencies and strategies by cooperating, coordinating or collaborating for the purposes of consumer marketing (Dickinson & Ramasesham, 2003; Dieke & Karamustafa, 2000). Given the formative nature of this concept, it is worth reviewing the parent concepts surrounding its operationalisation.

Firstly, the concept of inter-organisational collaboration has been defined as a relationship in which the relevant parties have congruent goals and act interdependently in order to achieve mutual objectives in their shared domain (Whipple, Lynch & Nyaga, 2010; Wood & Gray, 1991). Further, cooperation in a marketing sense has been defined as „groups of independent businesses which recognise the advantage of developing markets jointly rather than in isolation’ (Palmer, Barrett & Posonby, 2000: 274). This is distinguished from other work that views collaboration as a point on a relationship continuum (Himmelman, 1996; Wang & Xiang, 2007). In this thesis, the term collaboration is used to describe a more sophisticated and close form of interaction

between otherwise independent businesses. Thus, collaborative relationships can be distinguished from relationships involving merely the coordination of activities or shared resources between firms (Achrol, 1997).

Secondly, the academic view of marketing has experienced fundamental change in the past few decades (Brodie et al., 2008; Wilkie & Moore, 2003). Traditionally, marketing was understood from the perspective of large firms, and implemented in line with the four Ps: product, price, promotion and place. The more contemporary view of marketing is shifting towards a much stronger relationship perspective, which supports a network paradigm (Coviello, Brodie & Munro, 1997; Achrol, 1997). In accordance with this new perspective, business-to-business and business-to-customer interaction should not be studied in isolation; rather it should be understood in terms of how firms are influenced by the individuals and entities to which they are connected (Turnbull et al., 1996).

While there is growing interest in horizontal networks and collaborative marketing, relatively little has been published with a specific wine industry focus. Theoretical development often lags behind descriptive analysis in a new field of inquiry, and this has certainly been the case with collaborative marketing. The small amount of empirical work that does exist is generally descriptive in nature, and identifies the characteristics of horizontal or competitor networks (Bengtsson & Kock, 1999; Bernal, Burr & Johnsen, 2002) or cooperative marketing associations in the tourism or manufacturing industries (Dickinson & Ramaseshan, 2004; Palmer et al., 2000). From another perspective, researchers have published discussion papers that attempt to categorise the different forms of horizontal networks or competitor relationships, and the various factors that influence them (Easton & Araujo, 1992; Hadjikhani & Thilenius, 2005; Möller, Rajala & Svahn, 2005).

Despite the contributions previous research has made regarding the dynamics of inter-competitor relationships, further research is needed to grasp the complexity of this type of business network (Bengtsson et al., 2003). Additionally, future research should be industry-specific, as the characteristics of an industry and the product produced can

influence the propensity for firms to form relationships across horizontal boundaries (Enright & Roberts, 2001). Similarly, when only one industry is chosen for study, researchers are able to make a greater commitment to in-depth investigation of the phenomena (Carson, Gilmore, Perry & Gronhaug, 2001).

1.3 Research context

This thesis reports on an in-depth single industry study, which aims to not only contribute to the understanding of horizontal networks and collaborative marketing more generally, but also shed light on how such interaction occurs in specific industry conditions. The context for this exploratory research is the wine industry, where horizontal collaboration between firms may take place within geographical areas and/or across product categories. Conversely, vertical collaboration would involve wine businesses and members of their supply chain and/or distribution channel. On a global scale, the wine industry comprises thousands of distinct geographic regions that are often marketed collectively according to the unique strengths of their terroir¹. With the owner/managers of wine companies making the majority of their marketing decisions in response to competition, rather than market demands (Corkindale & Welsh, 2003), entrepreneurial marketing, niche marketing, and network marketing have emerged as appropriate strategies for firms in this sector (Beverland & Lockshin, 2004; Jarvis & Goodman, 2005). Furthermore, given the resource constraints typically associated with small and medium-sized enterprises (SMEs) (Gilmore, Carson & Grant, 2001; Hill & Wright, 2001), a marketing strategy based on relationships and inter-organisational collaboration, rather than cost-minimisation and short-term transactions, is thought to be even more beneficial. This proposition supports the current literature, which has found that SMEs actively engage in networks and networking behaviour (Carson et al., 2004) and can benefit from these arrangements in a variety of tangible and intangible ways (Donckels & Lambrecht, 1997; Street & Cameron, 2007).

¹ „Terroir’ represents the belief that the characteristics of wine are inextricably linked to the climate, topography, and soil of the region in which the grapes are grown (Cox & Bridwell, 2007).

Although some researchers have studied collaboration, inter-organisational relationships and/or alliances from a wine industry perspective (see, for example, Brown & Butler, 1995; Lindgreen, 2001b; Taplin, 2010; Telfer, 2001a; Thach & Olson, 2006), few have combined the concept of horizontal networks and collaborative marketing in the context of small to medium-sized wine producers. Collectively, smaller-sized wine producers can make improvements to the production quality of their wine product, and increase their market reach and presence (ACIL Consultants, 2003). Collaboration at an industry level can also enable wine producers to more productively use and spread information (Anderson, 2001). Thus, this study proposes that horizontal networks can provide wine producers with the opportunity to achieve greater impact and economies of scale in the marketing of their region and wine products, than what could be achieved on an individual scale.

1.3.1 Australia's wine industry

From modest beginnings two hundred years ago, Australia's wine industry is now positioned at the forefront of a changing international landscape (Aylward, 2006a). Wine consumption in the country has evolved dramatically since the early pioneering days of the 1960s and 1970s, when beer and fortified wines dominated the market (Osmond & Anderson, 1998). Contemporary tastes moved slowly away from these beverages under the influence of Southern European immigrants, and the generic promotion of wine by the industry's Wine Bureau (Aylward & Zanko, 2006; Osmond & Anderson, 1998). By the 1980s, domestic consumption had risen to twenty litres per capita (Winemakers Federation of Australia, 1996), and the liberalisation of liquor licensing laws saw a corresponding increase in the number of on- and off-premise outlets². Since then, consumer knowledge of wine styles and varieties has noticeably increased, and consequently, a large segment of premium wine consumers has emerged. Trends such as

² On-premise outlets include places where the customer consumes the wine, such as restaurants. Consumers may also purchase wine from off-premise outlets, such as bottle shops, liquor stores, and wine merchants.

these, and strong competition in the global wine environment, have encouraged many Australian wine producers to place greater emphasis on their marketing techniques.

As a key player in the ‚new world’ of wine production (Campbell & Guibert, 2006; Cox & Bridwell, 2007), Australia is renowned for its consistently good wines, its innovative grape growing and winemaking techniques, and its diversity in climatic conditions (Aylward, 2006b; Remaud & Couderc, 2006)³. Australia’s wine industry has, however, evolved to be very geographically fragmented, with more than sixty wine regions. Issues such as building a market image, establishing a regional identity, and maintaining infrastructure are all important at the regional level (Carlsen, Dowling & Cowan, 1998). Approximately ninety per cent of wine producers in Australia are categorised as SMEs based on their annual grape crush being less than one thousand tonnes (Winebiz, 2010). A significant portion of these smaller wine producers are attracted to the industry for lifestyle or personal development reasons (Charters & Loughton, 2000; Edwards, 1989). During the last decade of spectacular industry growth, many agricultural producers have switched to growing grapes and making wine, while some city professionals have entered the industry seeking a career change, an adjunct to their professional occupation, or a lifestyle-based semi-retirement (ACIL Consultants, 2003). Importantly, most of these lifestyle-oriented entrants rarely have a managerial or winemaking background (Charters, Clark-Murphy, Davis, Brown & Walker, 2008). For some, the realities of growing grapes and making wine, and increasing cost pressures, have led to fairly dismal outcomes (ACIL Consultants, 2003).

The number of commercial wine companies in Australia has more than quadrupled in the past twenty years, increasing from approximately five hundred and thirty in 1990, to just under 2,500 in 2010 (Winetitles, 2011). As a result of such rapid growth, many small wine businesses are in the early stages of development, and hence, their approach to planning, decision making, and marketing, are unlikely to be coherent (Charters &

³ New world wine regions are those that are located outside of the traditional wine-producing areas of Europe. Australia, Chile, New Zealand, South Africa and the United States of America, are all considered to be new world wine countries. In contrast, ‚old wine’ countries such as France, Italy, Spain, Germany and Portugal, share a long history of winemaking and tend to dominate global wine production.

Loughton, 2000). The rapid increase in Australian wine production has also created a surplus of unharvested grapes or bottled wines in some wine regions (ACIL Consultants, 2003).

The global success of the Australian wine industry has also brought about a price and resource divide between the small number of large wine companies, and the thousands of SME wine producing firms. Recent reports suggest that Australia's three largest wine companies account for around seventy per cent of all wine exports (Winetitles, 2010)⁴. Furthermore, Australia's top five wine companies account for over fifty-six per cent of Australia's total grape crush (Winetitles, 2011), while Australia's two largest producers, Accolade Wines and Treasury Wine Estates, account for about forty-two per cent of the wine produced nationally⁵. Australia's top twenty wine producers (in terms of production levels) account for around ninety per cent of total wine sales, while the remaining two and a half thousand wine producers compete for a mere ten per cent of national sales. Not surprisingly, Australia's largest wine companies, which tend to be based in South Australia, Victoria and New South Wales, lead the industry in terms of sales and marketing. Conversely, the nation's smaller producers – many of which lie outside of these epicentres – suffer from a lack of coordinated promotion and brand recognition for their wine product (ACIL Consultants, 2003; Aylward, 2005).

Competitive pressures on Australia's smaller wine producers also stem from the rapid expansion of the global alcoholic beverages industry. Since the early 1990s, the global wine industry has experienced a concentration of vineyard and brand ownership and the emergence of global distribution channels (Spawton, 1991). Patterns of consolidation have emerged as a significant feature of the Australian wine retail market (Waye, 2008).

⁴ According to Australia's wine industry portal, Winetitles, in 2009 Australia's three largest wine companies by total wine production were Accolade Wines (the new identity for Constellation Wines), Treasury Wine Estates (the new identity for Fosters), and Casella Wines. Accolade Wines produce well-known labels such as Hardys, Banrock Station, Houghton, Omni, and Bay of Fires from Tasmania. Treasury Wine Estates are responsible for brands such as Wolf Blass, Wynns Coonawarra, Rosemount Estate, Penfolds, and Heemskerk from Tasmania. Casella Wines is Australia's largest family owned wine company, and produces leading brands such as Yellow Tail, Yendah and Mallee Point.

⁵ Australia's top five wine companies are Accolade Wines, Treasury Wine Estates, Casella Wines, Australian Vintage, and Pernod Ricard Pacific.

In the past five or so years, Australian supermarket chains Coles and Woolworths have acquired a significant number of liquor outlets. In 2007, their combined market share was around forty-five per cent of all wine sales in off-premise outlets (Baker, 2007). Pressures such as this have compelled many independently-owned wine companies to re-orient their business strategies, and focus more on their marketing and branding in order to exploit the opportunities presented by this new environment (Aylward, 2006b; Reid, 2000).

Globalisation has also forced many new world wine producers to reassess their relationships with distributors, customers, and government (Gatti, Giraud-Héraud & Mili, 2003; Moulton & Lapsley, 2001), and implement sophisticated and aggressive international marketing strategies (Campbell & Guibert, 2006). In the past few years, issues with an oversupply of grapes, the heavy discounting of bottled wine, and a weak regulatory framework, have moved to the forefront of Australian wine producers' concerns (ACIL Consultants, 2003; Chong, 2007). Such challenges have forced many to extend their reach outside of their local and domestic markets and move towards producing higher quality, premium wines. The current state of oversupply has also raised questions about the sustainability of many of Australia's smaller wine regions, and has reduced the market value of wine products in general (Chong, 2007). Consequently, regions that are vulnerable to climatic changes, and which operate within high-cost structures, are likely to face difficult times ahead.

Australian wine producers are represented and supported by four national bodies, which are the Australian Wine and Brandy Corporation, the Winemakers' Federation of Australia, the Grape and Wine Research Development Corporation, and the Winegrape Growers Council of Australia⁶. Australia's wine industry also includes a plethora of regional, state and specialist networks (ACIL Consultants, 2003). National industry bodies generally fulfil the roles of education providers, government lobbyists, and

⁶ In December 2010 the Australian Wine and Brandy Corporation changed its name to Wine Australia to more accurately reflect the organisation's key roles and functions, and also provide better alignment with its international offices.

industry regulators. Hence, their focus has traditionally been on technical training in viticulture, winemaking, wine appreciation and industry trends (Charters et al., 2008). Industry associations at the regional level tend to be more marketing-oriented (Charters et al., 2008), whilst state bodies provide wine producers with access to resources, knowledge, and research and development opportunities. In addition to these formal networks and national bodies, the Commonwealth Government has also implemented a number of network initiatives in rural and regional areas that aim to improve the economic competitiveness of the region, and promote local development (ACIL Consultants, 2003; Hall, Cambourne, Macionis & Johnson, 1997).

Empirical research into the marketing practices of wine producers and the behaviour of wine consumers has been fuelled by the rapid expansion of the Australian wine industry. In the early years of research, authors published case studies of successful Australian wine companies or wine brands (see, for example, Corkindale, 1991; Edwards, 1989; Penn & Christy, 1994; Spawton, 1989). In more recent years, the focus has shifted to the consumer (see, for example, Barth, 2007; Charters & Pettigrew, 2006; Forbes, Cohen & Dean, 2008; Olsen, 2007). The links between the wine industry and other related industries, such as tourism, is also gaining attention on a worldwide scale (see, for example, Hall, Johnson, Cambourne, Macionis, Mitchell, & Sharples, 2000). Researchers have also found that sharing technical knowledge and information is particularly valuable to small wine businesses, and that this degree of collaboration has contributed vastly to the Australian wine industry's success (Marsh & Shaw, 1999). Despite the external market challenges in the wine industry, there has been little research to-date that explores the topic of horizontal networks and collaborative marketing. It also appears that little empirical research has been undertaken on the marketing practices of small and medium-sized wine businesses which are located outside of Australia's major wine regions and states.

1.3.2 Tasmania's wine industry

Tasmania is Australia's only island state, and is located two hundred and forty kilometres south of mainland Australia. Its unique location, together with its cool climate and surplus of natural resources, underpin its reputation for fine produce (Holden, 2010). Although Tasmania has a population of just over half a million people (Australian Bureau of Statistics, 2010), it boasts a strong tourism industry, with nearly one million people visiting every year (Tourism Tasmania, 2010). Wine tourism is particularly important to the livelihood of the state's small wine businesses, as recent reports suggest that around one in every five tourists visits at least one of the state's seventy-three cellar doors (Tourism Tasmania, 2009; Wine Industry Tasmania, 2009; Winetitles, 2011)⁷.

Although Tasmania's first vineyard was planted in the early 1820s, today's commercially viable industry did not really take off until the 1960s. Around this time, two of the state's industry pioneers planted vines in the north of the state near Lilydale, and in the south near the capital city of Hobart. In the years to follow, a number of „hobby' vineyards were planted. This small-scale planting continued until the mid 1970s, when established brands such as Pipers Brook, Heemskerk, and Bream Creek starting producing wine from their much larger-scale vineyards (Walker, 2010). By 1986, Tasmanian wine producers were harvesting around one hundred and fifty tonnes of fruit each vintage (Walker, 2010). Twenty-two years later and the industry experienced its best ever vintage of over 9,600 tonnes (Department of Primary Industries and Water, 2008)⁸.

In the past decade, the growth of the Tasmanian wine industry has been particularly rapid, partly due to the number of vineyards being established or redeveloped, and partly because of the influx of next generation winemakers moving to the state. Some vineyard and brand consolidation has also taken place, which has added to the growing national and international interest in the local industry, and the nature of competition within the

⁷ Wine tourism has been defined as „visitation to vineyards, wineries, wine festivals and wine shows for which grape wine tasting and/or experiencing the attributes of a grape wine region are the prime motivating factors for visitors' (Hall, 1996: 109).

⁸ In 2008, Australia's total winegrape crush was 1.83 million tonnes (Winetitles, 2010). South Australia was the principal wine producing state, with almost 810,000 tonnes (Australian Bureau of Statistics, 2008).

region. In 2010, one of Australia's largest wine companies, Brown Brothers, acquired one of Tasmania's largest wine brands, Tamar Ridge Estates (Brown Brothers, 2010). A number of other well-known Tasmanian brands such as Bay of Fires, Ninth Island, and Jansz, have also been acquired by international wine conglomerates. The Tasmanian government's active promotion of Tasmania's culinary experiences, together with the advent of wine tourism, has helped to build awareness of the Tasmanian wine industry within domestic markets. At an industry level, Tasmanian wine producers have been publicly acknowledged for their noticeably high rates of cooperation. For example, Paul Henry, General Manager of the Australian Wine and Brandy Corporation, has suggested that:

[Tasmania has] the advantage of being small, but the level of industry coordination I have seen and the people working together is very impressive (Phillips, 2010a: 6).

As a state, Tasmania is home to around one hundred and sixty licensed wine producers⁹. These businesses grow grapes from approximately two hundred and thirty vineyards, which cover just over 1,500 hectares of land (Department of Primary Industries and Water, 2009). This is in contrast to Australia's largest wine producing state, South Australia, which has nearly six hundred and fifty licensed wine producers, and around 75,000 hectares under vine (Winetitles, 2010). Because of the region's cool climate, Tasmanian wine producers are renowned for their premium-quality table and sparkling wines, which are made using predominantly pinot noir, riesling, chardonnay, and sauvignon blanc varieties. A number of Tasmanian wine producers sell a portion of their fruit to national wine companies, for which they command high prices. Approximately one third of Tasmanian wine producers own hobby vineyards and therefore, rarely sell wine commercially. Of those that do, most produce their wine through contract

⁹ This research is focused on wine producers. Within the academic and professional literature, a number of terms are used in labelling businesses involved in the wine industry. For the sake of clarity, this thesis defines wine producers as individuals or businesses that hold a licence to sell wine commercially. Grape growers are individuals or businesses that grow grapes for resale, i.e. they are grape suppliers to larger wine producers. A winery is the term given to the actual facilities where grapes are converted into wine, and a vineyard is the specific land area where grapes are grown. In view of these definitions, it is possible for a wine producer to grow grapes in a number of different vineyards, and have a winery on site. However, due to the boutique nature of the Tasmanian wine industry, most licensed wine producers harvest grapes from only one vineyard, and use a contract winery to make their wine.

agreements with one of the twenty-nine wineries located in the state. Only thirty-five Tasmanian wine producers regularly sell their wines to customers located outside of Tasmania, and less than fifteen actively export overseas to markets such as the United Kingdom, the United States of America, and China (Holden, 2010) ¹⁰. In fact, the majority of Tasmanian wine producers crush less than twenty tonnes of grape each year.

Production-wise, Tasmania contributes less than one per cent to Australia's total wine volume. As a result, wine production in Tasmania is classified as boutique, compared with that of the larger regions in South Australia, Victoria and New South Wales (Winetitles, 2010) ¹¹. Despite Tasmania's relatively meagre contribution to Australia's total wine grape production, bottled Tasmanian wine accounts for six per cent of Australia's overall premium wine sales (Department of Primary Industries and Water, 2006; Wine Tasmania, 2010a). The quality and quantity of Tasmania's output has also meant that, in general, Tasmanian wine producers avoid many of the challenges associated with drought conditions and an oversupply of grapes, which are both threatening the success of wine producers throughout mainland Australia. Tasmanian wine producers do, however, face strong competition from lower-cost, and larger-scale, cool climate wine regions, such as the Marlborough district in New Zealand.

Although the whole state of Tasmania is still legally classified as the one wine region for geographical indication (GI) purposes, there are arguably four sub-regions that are well known for producing wine (see Figure 1.1 for an illustration) ¹². These sub-regions are characterised by slightly different climates, soil structures, wine routes, and infrastructure. However, all Tasmanian grapes are usually harvested within seven days of each other. The Tamar Valley wine region is located just north of Tasmania's second largest city,

¹⁰ A small number of additional wine producing firms may export their wine to a particular country where they have a long-term customer(s).

¹¹ In comparison to Tasmania, South Australia accounted for forty-four percent of Australia's total wine production in 2010.

¹² GIs are the legal division of a country's wine producing areas into zones, regions, and sub-regions. For a wine label to carry a GI name (e.g. Tasmania) eighty-five per cent of the grapes used to make the wine must be grown and harvested within that GI zone, region, or sub-region. Tasmania is classified as a single state/zone, with no officially demarcated GI regions or sub-regions, while the state of Victoria is divided into six zones, twenty-one regions, and two sub-regions (Phillips, 2010b).

Launceston. Wine produced in the Tamar Valley, and in the surrounding areas of Pipers River and Relbia, is arguably the most widely recognised from within the state. This is largely due to the established wine route located within this sub-region, and the fact that the Tamar Valley is home to the state's oldest vignerons association, the Tamar Valley Wine Route (TVWR). This sub-region is also the state's largest in terms of yield and number of cellar doors. In addition, the Tamar Valley was recently named in the top ten wine routes in the world (Essential Travel, 2011) ¹³.

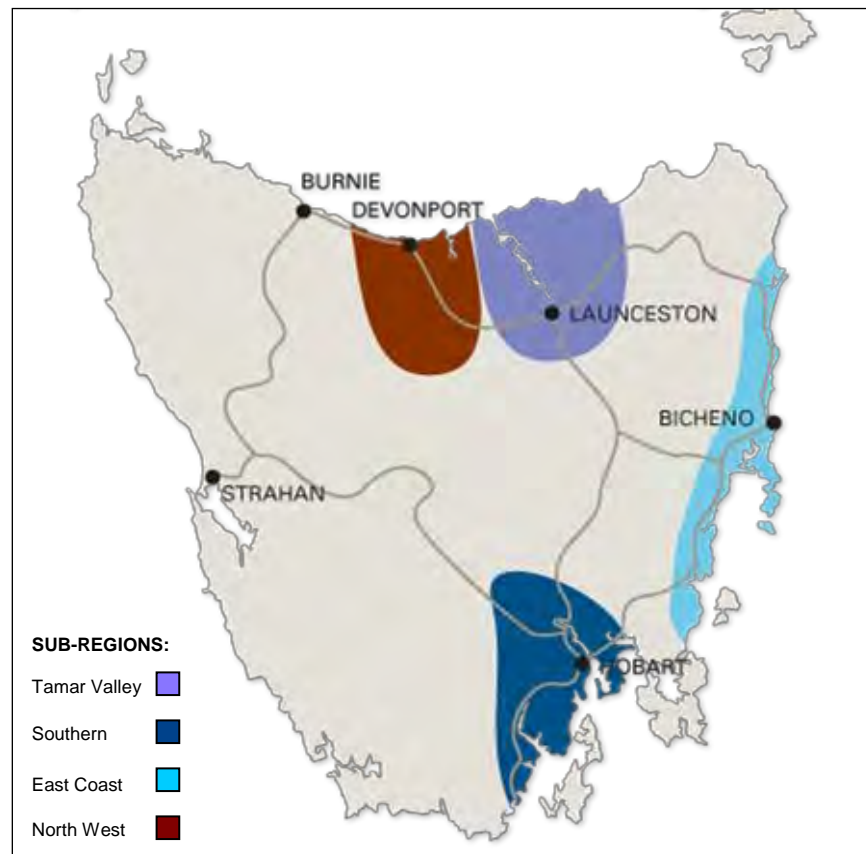
Tasmania's second largest wine district is the Southern wine region. In this sub-region, producers are relatively scattered between the Coal River Valley, the surrounding suburbs of Hobart, and inland along the Derwent River and Huon Channel. In 2009, Tasmania's Southern wine producers accounted for twenty-four per cent of the state's total yield. The Southern wine region is also home to a local wine marketing group, WineSouth, and the state's only wine industry association, Wine Industry Tasmania (WIT) ¹⁴.

Tasmania's third largest wine region is the East Coast, which comprises vineyards located near the seaside towns of Swansea, Orford, and Bicheno. Production from this region is, however, very small in scale. For example, in 2009 it was only four hundred and seventy-nine tonnes. That said, global wine magazine *Decanter* recently labelled Tasmania's East Coast as one of the most up-and-coming wine producing regions in the new world (Hooke, 2009). Finally, Tasmania's North West wine region covers the geographic area surrounding the city of Devonport. This sub-region comprises the smallest number of vineyards, and in 2009, North West wine producers yielded a mere thirty-nine tonnes of wine grape. Given the characteristics of the North West region, the majority of wine producers located there are hobby wine producers or motivated by the lifestyle associated with becoming a vigneron.

¹³ In 2009, wine producers located in the Tamar Valley region accounted for fifty-one per cent of the state's total wine grape yield, or 5,045 tonnes (Department of Primary Industries and Water, 2009).

¹⁴ Wine Industry Tasmania is now known as „Wine Tasmania', after officially changing its name in August 2010. At the time of data collection, the network was known as Wine Industry Tasmania, hence the use of the WIT acronym in this thesis.

Figure 1.1 Tasmania's wine sub-regions



Source: Wine Tasmania (2010b)

1.4 Research questions and significance of the study

Whilst business networks represent one of the most widely studied forms of inter-organisational relationships, a great deal of ambiguity still surrounds how firms interact in horizontal networks and, how the individual firms involved perceive and manage these relationships. Indeed, within many industries, including wine, anecdotal evidence suggests that networks and relationships enable firms to maintain industry standards, lobby governments, invest in research and development, create new products, and gain entry into national and international markets (Lindgreen, 2008). Yet, empirical studies of how and why wine firms form horizontal networks and collaborate for joint marketing purposes are relatively scarce.

The overall aim of this research is to explore how and why Tasmanian wine producers collaborate for marketing purposes, and the role of horizontal networks in facilitating this type of activity. It is intended that by addressing the following research questions insight into the nature of interaction between Tasmanian wine producers will be gained. Three research questions have been devised, the first of which concerns the motivations of Tasmanian wine producers:

RQ1: Why do Tasmanian wine producers join horizontal networks?

In addition to understanding why Tasmanian wine producers join horizontal networks, this research set out to explore the nature of collaborative marketing within a specific industry setting. Previous researchers have obtained some understanding of the types of collaborative marketing undertaken by SMEs in related industries, such as tourism (Dieke & Karamustafa, 2000; Morrison, 1998; Palmer, 2002). However, because of the complexities associated with manufacturing wine products, and the characteristics of the wine industry, further research which examines the type of collaborative marketing undertaken by wine producers in a specific geographical area, will be of significant value. Thus, the second research question asks:

RQ2: What types of collaborative marketing do Tasmanian wine producers engage in within horizontal networks?

Finally, to fully understand how Tasmanian wine producers interact within their horizontal networks, and why they engage in collaborative marketing, this research aims to identify the factors which underpin the value and outcomes of this network activity. Current literature offers preliminary knowledge of a range of factors that facilitate close inter-organisational relationships and networks. Yet, few studies have extended this theory by looking specifically at the antecedents of collaborative marketing within a particular type of inter-organisational network. Thus, the final research question addressed by this thesis is:

RQ3: What factors affect collaborative marketing pursued by Tasmanian wine producers in horizontal networks?

Overall, the research reported in this thesis aims to not only enhance current understanding of how firms interact in horizontal networks, but also to provide insight into the factors that affect this relatively unexplored type of inter-organisational arrangement. By doing so, this study will address calls for further research into inter-competitor collaboration (Bengtsson & Kock, 1999; 2000; Tidström & Åhman, 2006). Additionally, extant marketing literature offers a relatively narrow depiction of inter-competitor collaboration from a network perspective. Instead, much of the current knowledge is applicable only to dyadic relationships and alliances.

In addressing such gaps, this thesis has adopted an interpretive perspective; using qualitative research methods to study inter-competitor collaboration in the Tasmanian wine industry. In support of the research aims, the network interaction approach, which will be introduced in Chapter Two, has been used as a broad research framework. This study is unique from other wine-related research, which typically focuses on the vertical relationships between a wine producer and their channel members, or the characteristics of networks and clusters between wine producers and tourism enterprises.

A final point to be made relates to this study's anticipated contributions. In view of the research approach and methodologies outlined in Chapter Five, this study does not aim to make findings that are generalisable to all wine producers, not even those located within other Australian states. Rather, this study is designed to explore a series of questions, from which the findings can be used to inform the marketing and network decisions made by owners and managers, and serve as a catalyst for further research in this domain. It is anticipated that through exploring the factors that affect collaborative marketing, wine business managers can modify or increase their network connections to provide greater strategic advantage. Furthermore, this type of practical knowledge could be used by government representatives and other related bodies, who are often responsible for implementing network initiatives at an industry-wide level.

1.5 Thesis structure

By way of approaching the aforementioned research questions, this thesis is arranged into ten chapters. This, the introduction chapter, has outlined the background to the research problem, provided an overview of the context for the research, and introduced the broad research aim and research questions. Chapter Two is the first of four literature review chapters. As such, the chapter commences with an introduction to the origins of network theory, and reviews the various academic approaches used to explore how firms behave in industrial markets. This chapter also canvasses the paradigm shift regarding the nature of competition, and the move away from transactional marketing. This then leads in to a précis of the study's theoretical framework: the interaction model. A discussion of the characteristics used to classify the different types of networks, of which horizontal networks are the focus, will also be provided.

Building on the literature reviewed in Chapter Two, Chapter Three is devoted to discussing the key drivers of inter-organisational relationships and networks, as established by previous research. Overall, the dialogue contained in Chapters Two and Three is designed to introduce the reader to the theory and literature that underpins the more specific marketing direction adopted in this study.

In Chapter Four, the reasons why SMEs are thought to gain more from networking and collaboration will be discussed. Chapter Four will also review the small amount of empirical and conceptual literature relating to collaborative marketing, which largely stems from the tourism and agricultural industries. Furthermore, the reasons why firms enter business networks, and why, in some cases, business networks sometimes fail, will also be covered in this chapter.

As the final chapter of the literature review section, Chapter Five focuses on the current literature containing links between network theory, and the context of this research: the wine industry. Because this study is one of only two pieces of empirical work based solely on the marketing activities of Tasmanian wine producers, previous research

relating to the Australian wine industry, wine marketing in general, wine producer collaboration, and wine tourism networks, will constitute the basis for this review¹⁵.

Following a review of the study's theoretical framework and the extant literature, Chapter Six is devoted to methodological issues. After discussing the topic of research philosophy, the chapter outlines the study's design, sampling procedures, and data collection methods. A description of the data analysis techniques used will also be provided, in addition to a review of the study's ethical considerations, and a discussion of the methodological limitations associated with the project.

Chapter Seven represents the first of three findings and discussion chapters. As such, a description of the horizontal networks found to be active within the Tasmanian wine industry is provided first. Following this is a summary of the reasons why Tasmanian wine producers form horizontal networks, and what the benefits of these networks are. Accordingly, Chapter Seven offers preliminary answers to Research Question One. Chapter Eight addresses Research Question Two. Here, the different types of collaborative marketing Tasmanian wine producers were found to be engaging in, is outlined. Chapter Nine, consists of discussion relating to Research Question Three. As such, it reveals the factors that were found to affect the perceived value of the collaborative marketing activities outlined in Chapter Seven, and the overall success of horizontal networks in the Tasmanian wine industry.

Finally, Chapter Ten concludes the thesis. As such, it brings together the key theoretical issues raised throughout the literature review chapters, and places these in the context of the critical findings presented in Chapters Seven through to Nine. Chapter Ten will also outline the contributions this study has made to collaborative marketing and network theory, before highlighting the practical implications. As with any research project, there are potential limitations, and hence, these drawbacks will be outlined. The chapter

¹⁵ The researcher is aware of only one other empirical study concerning the marketing activities of Tasmanian wine producers. In an unpublished honours dissertation, Castray (2003) explored whether the wine tourism experience in Tasmania exhibits characteristics of shared value, commitment and communication. Using qualitative interviews with six winery operators, Castray (2003) found that the elements winery operators and visitors perceived to be important were, in fact, similar.

concludes with a discussion of the many avenues for further research, which should allow this study's framework to be taken further and applied to new research settings.

1.6 Chapter summary

This chapter has provided an introduction to the thesis, and in so doing, has canvassed the growing interest in horizontal networks and collaborative marketing. All firms are required to interact with a mix of internal and external parties. However, the way in which they approach, and benefit from, these relationships can vary quite dramatically. Despite the range of inter-organisational relationships appearing in practice, researchers have tended to explore the performance of partnerships between buyers and sellers, strategic alliances, or vertical networks. Far less research attention has been dedicated to understanding why firms form relationships with their competitors, and the extent to which these horizontal networks provide opportunities for collaborative marketing.

This chapter has also noted that many firms compete in an environment where a collective brand image and regional reputation are important. Previous research from marketing, management and wine tourism perspectives have used Australian wine producers as a focus of study, and, in particular, analysed how their business practices have contributed to the industry's current environment. This research aims to demonstrate if and how Tasmanian wine firms can benefit from horizontal networks and collaborative marketing. The following chapter represents the start of the literature review undertaken for the purposes of this research. More specifically, it offers a description of how industrial marketing theory has informed the direction of this study, and how it can be used to better understand the phenomenon of inter-competitor collaboration and networking.

CHAPTER TWO

INTER-ORGANISATIONAL RELATIONSHIPS AND NETWORK THEORY

2.1 Introduction

This is the first of four chapters that review the literature relevant to this thesis. The chapter begins by identifying and discussing the theoretical constructs and major developments that provide the foundation to the research framework. Embedded in this discussion is a dialogue of how network theory, and the debate surrounding the different types of inter-organisational relationships, justifies the need for the present study. The chapter then introduces the various classifications and characteristics of business networks, which are used to differentiate horizontal networks from the more common vertical form. By beginning with this theoretical chapter, it is intended that the conceptual framework underpinning this research will be introduced, prior to a discussion of how this theory will be applied to a new industry and collaborative context.

2.2 Industrial markets and paradigm shifts

An industrial market is the space in which firms acquire goods and services to be used in the production of their own products, which are then sold, rented or supplied to other organisations or the end consumer (Fern & Brown, 1984; Kotler & Keller, 2006).

Depending on the product being produced, industrial markets comprise various industry sectors and stakeholders. As a sub-set of the market construct, an industry is defined as a group of competing organisations that produce the same products or services (Porter, 1990). In any one industry, firms exchange with internal and external parties on almost a daily basis. For example, a wine producing firm may buy in grapes and production materials from their suppliers, outsource part of the manufacturing process to an external

winery, and then negotiate with retailers and wholesalers throughout their distribution channel. These different examples of exchange can be approached through either a transactional or relational orientation, depending on the extent to which past and future transactions are central to the interaction (Arino, de la Torre & Ring, 2001).

Table 2.1 summarises the main differences between the more traditional transactional paradigm and that of the emerging relational approach. Broadly speaking, a transactional orientation involves exchange that is discrete and has no social component. In contrast, a relational orientation takes into account the past, present and future exchanges between parties; thus, greater value can be derived from this social component (Hedaa & Ritter, 2005).

Table 2.1 The transactional versus relational approach to exchange

Transactional approach	Relational approach
Competition is inherent	Collaboration is inherent
Behaviour is opportunistic	Behaviour is cooperative
Value derived from organisation	Value derived from relationship
Buyers are considered passive	Buyers are considered active
Short-term focus	Long-term focus
Firms are independent	Firms are interdependent

Source: Adapted from Fyall and Garrod (2005: 31)

The classic view of industrial markets inferred that organisations, first and foremost, engaged in transactional exchange (Fyall & Garrod, 2005; Grönroos, 1994). Accordingly, the owners and managers of organisations behaved in an opportunistic manner, and were driven by self-interest objectives in the pursuit of market share and power (Stern, 1971; Williamson, 1975). This led to a situation whereby individual firms regularly alternated buyers and sellers in order to take full advantage of new entrants, and avoid dependence on any one party (Uzzi, 1997). Situations like this resulted in fierce competition on the

basis of promotion, and access to scarce resources like raw materials, human labour and customer loyalty (Buttery & Buttery, 1994; Stern, 1971).

Such an atomistic notion of competition stems from neoclassical economic theory (Marshall, 1920), which views firms solely as profit-maximising units (Day & Wensley, 1983; Hunt & Morgan, 1995). A neoclassical approach defines organisations as standardised units of production, which combine homogenous resources (i.e. land, labour and capital) to create some form of output (Hunt, 1999). As a result, inter-organisational exchange is „cool’ and separate, and is often characterised by opportunistic, profit-seeking behaviour, rather than commitment and selfless attachment (Macneil, 1978).

Traditionally, competition within industrial markets resulted in a constant struggle between firms to develop, maintain, or increase their differential advantages over other firms in the same industry (Day & Wensley, 1983). The more aggressive competitors would alleviate the need for external exchange by internalising their resources and activities, and via vertical integration of their supply chain. If and when they were required to exchange with another organisation, the transaction was very much impersonal and conducted at both a physical and psychological distance (Stern, 1971). Competition was the only concern of firms in this environment, as inter-organisational cooperation and collaboration was considered irrational behaviour and grounds for rising transactional costs (Williamson, 1975).

This traditional view of how industrial markets function has been fuelled by management researchers’ strong interest in industrial organisation economics, and an ideology that intense competition was the primary means of improving the performance of national economies. The idea of ‚perfect competition’ has also been supported by Western governments’ focus on large, multinational firms, which have sufficient resources to act independently, and pursue profit maximisation and growth as their primary objectives. However, globalisation, increasing demand for innovative products, technological change, are changing the nature of many national economies and, in turn, causing a paradigmatic shift towards a more relational orientation to marketing (Achrol, 1997; Fyall & Garrod,

2005). Companies of all shapes and sizes are now replacing their strategies aimed at increasing market share, with strategies that enable them to exploit their core competencies and create efficiency and effectiveness in their value chains. This has forced many firms into interdependent relationships with their suppliers, distributors, and other important stakeholders (Brodie et al., 1997; Hedaa & Ritter, 2005; Brito & Costa e Silva, 2009). At the same time, firms are investing in the development and maintenance of relationships with other external stakeholders, such as, competitors and government (Wilkinson, 2008). By the beginning of the twenty-first century, many of the large manufacturing firms, which had emerged as a result of the industrial revolution, had transformed into vertical networks of internal units, suppliers, allies and distributors (Achrol & Kotler, 1999). Overall, this transformation of industrial markets has become known as the phenomenon of a network economy.

2.3 A new wave of thinking: the interaction approach

A paradigm shift in marketing was first observed in the 1960s, when many firms began to offset their competitive behaviour with an increased focus on the customer, and on meeting their stakeholders' interests (Buttery & Buttery, 1994; Grönroos, 1994). Some years later, academics also began to question the classic assumptions and characteristics of industrial markets and the nature of organisational behaviour and international marketing (Ford, 1990; Håkansson, 1982). This new wave of thinking was initiated in Europe, where a group of researchers started a research project on buyer-seller relationships in international business-to-business markets. Since their formation in 1976, the Industrial Marketing and Purchasing (IMP) Group have been responsible for a significant portion of the extant research on the nature of interaction within industrial markets and, in particular, the buyer-seller relationship in an international setting (Ford, 1980; Araujo & Mouzas, 1997; Håkansson, 1982). Their research rests on the notion that when an interactive view of industrial markets is adopted, the environment in which any one firm is embedded, directly and indirectly impacts on its relationships with other firms and actors (Peters, Johnston, Pressey & Kendrick, 2010). When taken in this way, firms

evolve into interdependent, rather than independent, market entities (Turnbull et al., 1996). Since the interaction approach was pioneered by the IMP Group, marketing and management researchers have demonstrated a keen interest in studying the interactions between businesses, and how the nature of these relationships affect an organisation's performance (Hedaa & Ritter, 2005).

Providing the foundation to the interaction approach is the IMP Group's groundbreaking 1970s study of approximately nine-hundred individual inter-organisational relationships across five European countries: France, West Germany, Italy, Sweden and Great Britain (Håkansson, 1982). A key conclusion of this large-scale empirical work, which was to be refined by subsequent publication, was that many industrial markets were characterised by stability rather than change, by long-term relationships instead of short business transactions, and by closeness instead of distance (Håkansson, 1982). At the heart of the interaction approach is the idea that the activity linkages and resource constellations between, rather than within, businesses determine the nature of industrial markets (Håkansson, Ford, Gadde, Snehota & Waluszewski, 2009). As such, buyers and their sellers are not only interested in each other's resources, but are mutually dependent on them (Cunningham, 1980). Frequent interaction and exchange between two organisations can lead to relationships and social exchange processes, which subsequently connect their resources and activities (Håkansson & Snehota, 2006).

The IMP Group's research marks a significant movement away from the view assumed by neoclassical economic theory (Hedaa & Ritter, 2005; Johanson & Vahlne, 2011) and the atomistic notion of competition (Turnbull et al., 1996). When a network approach is adopted, industrial markets are viewed as interdependent structures, where even a dyadic relationship between two firms is indirectly affected by the way each interacts and relates to other external parties in the market (Håkansson et al., 2009; Turnbull et al., 1996). Furthermore, relationships evolve over time and involve a series of stages whereby the parties increase their mutual adaptation and commitment to one another (Ford, 1980). In this way, relationships are defined as the more general and long-term outcomes of inter-organisational exchange, while interactions represent the 'here and now' (Easton, 1992).

The knowledge that the interactions between two or more firms take place over a period of time, suggests inter-organisational relationships are determined by not only how firms have interacted in the past, but how they will interact in the future (Håkansson & Johanson, 1992; Håkansson et al., 2009; Wilkinson, 2006). Changes to a network's relationship structure, activities, or resources also cause business networks to pass through a series of stages, from establishment to dissolution (Dwyer, Schurr & Oh, 1987; Ford, 1990).

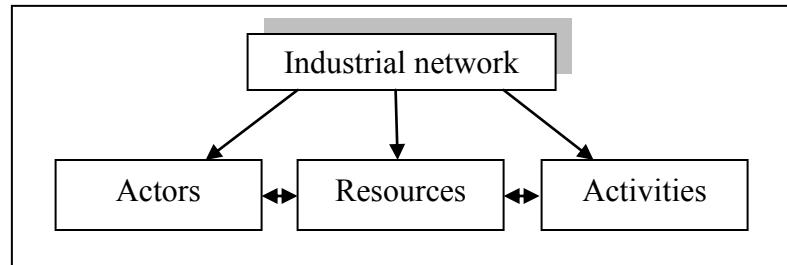
When organisations and enterprises become interconnected the market resembles a network of firms, rather than a hierarchy (Johanson & Vahlne, 2011; Milward & Provan, 2003). As such, the interaction approach calls into question the applicability of mainstream marketing theory, by emphasising the richness and diversity of inter-organisational relationships, and the complex, rather than simple, nature of exchange (Easton, 1992; Håkansson et al., 2009).

2.3.1 The Activity-Resource-Actor (ARA) model

At the core of the IMP Group's interaction approach is the Activity-Resource-Actor (ARA) model, which promotes three areas, or layers, in which interaction between firms occurs (Håkansson & Johanson, 1992; Håkansson & Snehota, 1995). This model, illustrated in Figure 2.1 below, is arguably the most widely used framework for studying inter-organisational interaction and relationships (Cunningham, 2007). Indeed, some scholars have commented that the model is a useful starting point for studying all types of inter-organisational and *intra*-organisational relationships (de Lurdes Veludo, Macbeth & Purchase, 2006). Together, the model's three basic components (actors, resources and activities) constitute a network's structure, and can be used to describe the nature of interaction between firms (Håkansson & Johanson, 1992). The quality of inter-organisational relationships can, therefore, be determined by analysing the activities and processes the actors engage in, the resources each actor owns and shares, and the strength

of actor bonds (de Lurdes Veludo et al., 2006). The theoretical underpinning of the current study is based on the application of this model.

Figure 2.1 A model of the interaction approach



Source: Adapted from Håkansson and Johansson (1992)

Activity linkages occur when one or more network firms combine, develop, exchange or create resources (Håkansson & Johanson, 1992; Brito & Costa e Silva, 2009). Firms perform individual activities on a daily basis. Goods are produced, distributed and promoted; services are offered, accounts are calculated, and bills are paid (Håkansson et al., 2009). When one adopts a network perspective, these activities become interdependent through the interaction of firms. The activity component of the model is often described as bringing life to a network (Håkansson et al., 2009). Activities can also be conceptualised as the processes undertaken by individual firms within a network (de Lurdes Veludo et al., 2006). In this way, activities are linked together in various ways and to varying degrees. Furthermore, activities can be viewed as both part of the process of interaction, and an outcome of it (Håkansson & Johanson, 1992; Håkansson et al., 2009). For example, in networks with tightly-linked activities, firms develop and organise their own activities in response to how other firms in the network organise theirs (Dubois, 1994). Furthermore, the degree to which firms cooperate or compete is influenced by the nature of activities they perform and the extent to which they are related (Morris, Koçak & Özer, 2007).

Performing individual or shared activities requires firms to have both tangible and intangible resources. Resources are usually subdivided into four main categories: physical resources, financial resources, human resources and intangible resources, such as knowledge and brand image (Brito & Costa e Silva, 2009). If a firm wishes to promote a new product, they need sufficient financial and human resources to successfully implement their strategy. In a network situation, firms combine their resources with those belonging to other firms in order to create additional value (Håkansson et al., 2009). How a firm uses their resources, and what resources they have access to, is also affected by their networking activities (Turnbull et al., 1996). Thus, the enhancement of resources through interaction with other parties determines the basis of a company's network position, and their competitive advantage (Ford, McDowell & Tomkins, 1996).

When firms interact with one another in a network, their individual resources become closely-related (Håkansson et al., 2009). The resources within a network can be controlled, either individually or jointly, depending on the firms involved (Håkansson & Johanson, 1992). Though the resources shared in business networks are often physical, it is the intangible resources embedded in the network, such as knowledge, effective coordination of activities, and the ability to leverage relationships, which ultimately provide the most value to the firms involved (March & Wilkinson, 2009). For these reasons, firms with deficient resources are more likely to join networks that provide them with access to the resources they are lacking (Bengtsson et al., 2003). In contrast, firms with unique or abundant resources are often reluctant to share these resources within a network, unless the perceived risk and cost of sharing these resources is low (Bengtsson et al., 2003; Morris et al., 2007).

As illustrated in Figure 2.1, the final component of the ARA model is the actors belonging to the network. The term actor is widely used in the industrial marketing literature when referring to the individuals or firms that perform activities and/or control resources within a network (Håkansson & Johanson, 1992; Brito & Costa e Silva, 2009). Such actors are embedded within the network through a series of relationships, which provide them with access to other firms' resources depending on the strength of the

relationship (Håkansson & Johanson, 1992). Networks are, therefore, grounded in the social relationships, mutual interdependencies, and communication exchange between individual firms (Cunningham, 2007). The nature of interaction within a network is also characterised by the social bonds between actors (de Lurdes Veludo et al., 2006; Håkansson et al., 2009)¹⁶. Actor bonds are often characterised by personal friendship and liking. They are a means for firms to access support and advice, and determine the strength to which an individual firm is affiliated to a network or an industry (Håkansson, 1982). The number of bonds a firm has within a network also affects the resources it has access to, and the level at which it coordinates its individual activities with others (Håkansson & Johanson, 1992).

Bonds can, however, vary in their strength and quality (Buttery & Buttery, 1994). The strength of the bonds that exist between firms is determined by the similarity of their objectives, the degree of their interdependence, and the extent to which each firm's resources constitute a motivation to sustain the relationship (Cunningham, 2007). Research has shown that buyers and sellers with strong actor bonds will be more committed to maintaining the business relationship than those with fewer social bonds (Mummalaneni & Wilson, 1991). Further, networks characterised by strong bonds are thought to provide a more stable and predictable structure, which can withstand change and disruptive forces (Easton, 1992). However, the strength of the actor bonds may also jeopardise the effectiveness of the network. For example, richly-coupled networks may be less flexible to changes in their external environment (Buttery & Buttery, 1994). Additionally, actor bonds can be destructive, and in the most extreme case, can lead to inter-organisational conflict (Buttery & Buttery, 1994).

2.4 A contemporary view of competition

As highlighted in the opening sections of this thesis, theories and definitions surrounding the concept of competition are still evolving. This had led to some questioning of the

¹⁶ A bond refers to the relationship formed between actors in a network.

relevance of the traditional theories of organisations and transactional cost economics. At the very least, developments in the marketing and business strategy literature have resulted in shared understanding that competition varies significantly in its level of intensity.

Competitors are broadly defined as firms that require identical resources for survival (Hart & Rice, 1988). Competitors apply similar strategies in the development of indistinguishable products, which are subsequently aimed at the same segment of consumers (Laine, 2002; Tidström & Åhman, 2006). The actions of competitors are, in general, conflicting, because the interests of two competing firms can rarely be fulfilled simultaneously (Bengtsson et al., 2003). At the industry level, firms compete for raw materials, personnel, and customers, in an environment where the resources gained by one firm increase as a result of another firm's resources decreasing (Hart & Rice, 1988).

Firms compete „head-on' when they produce exactly the same product or service, use the same functions, and operate within the same geographical area (Thorelli, 1986). This more intense form of competition is more prevalent in industries where there is an unbalanced number of small and large firms operating within the same industry, and hence, a deficiency of resources. Despite this, some industries are characterised by more „healthy' levels of competition, which have been found to promote innovation and product development (Araujo & Mouzas, 1997).

From a network perspective, researchers have argued that competition in the traditional sense should be replaced with more specific concepts, such as, inter-firm rivalry for the control of resources (Hägg et al., 1983) and relationship conflict (Håkansson & Snehota, 1995). Some degree of conflict exists in all business relationships (Håkansson & Snehota, 1995). In fact, researchers have found that conflict can actually help keep the relationship between parties „healthy' (Håkansson & Snehota, 1995; Thorelli, 1986).

The traditional view of industrial marketing supports Alderson's (1957) original definition of competition as „the constant struggle of firms to develop, maintain or

increase their differential advantages over other firms' (cited in Araujo and Mouzas, 1997: 145). In his sociological study of marketplace competition, cooperation and conflict, Stern (1971) also suggests that competition involves a constant struggle between firms to gain resources and goals other firms are striving for, such as sales, customer loyalty or market share. Thus, traditional theories of competition assume that individuals and firms behave in an opportunistic manner so as to maximise their own self-interests. The traditional view of inter-organisational relationships, however, suggests that firms either compete or cooperate (Walley, 2007). What should be avoided, are situations in which organisations engage in 'unfair competition' or 'excessive cooperation', which produces anti-social consequences (Stern, 1971).

All business networks are thought to involve some degree of cooperation, yet cooperation is not always a substitute for competition (Dean, Holmes & Smith, 1997). As demonstrated in Chapter One, even within industries characterised by strong levels of competition, there are many opportunities for firms to cooperate with their competitors. A primary example of this is industry associations (Thorelli, 1986). When an industry comprises many networks or industry-type associations, the intensity of competition and the degree of rivalry between complementary firms can even be reduced (Buttery & Buttery, 1998).

Along similar lines, competition may be more intense *between* networks in an industry rather than *within* the networks themselves (Easton, 1992). Although competition between networks (inter-network) rather than strictly between firms (intra-network) has been cited in the literature for some years, there is sparse empirical research solely dedicated to this topic. In one of only a few studies in this area, Gomes-Casseres (1994) remarked that collaboration and competition between businesses is also no longer confined to inter-organisational relationships and alliances. Instead, many industries are experiencing competition between networks of alliances, rather than the more traditional episodes of competition between individual firms (Gomes-Casseres, 1994). Justification for this finding rests on the assumption that competition for a particular product does not just occur between individual manufacturers of that product, but rather, between the

different networks of suppliers, manufacturers and intermediaries that collectively add value to the product offering (Palmer, 2000). In addition, for many companies and industry sectors, competition derives more from the country level, rather than the individual firm level (Nieslen, 1987). As such, firms can achieve success by combining their resources with others in their country or region, in much the same way that individual organisations pool resources from within the corporation (Nieslen, 1987).

2.5 The social dimension of inter-organisational relationships

Given their focus on long-term relationships rather than solitary transactions, business networks have become as much of a social phenomenon as they have an economic one (Hedaa & Ritter, 2005). For many firms, their ability to survive in industrial markets is directly tied to their ability to cooperate, rather than compete (Morris et al., 2007). Similarly, the value firms place on the inter-organisational relationships and networks they are involved in will be influenced by the social interactions they have with the individual actors. Around the same time IMP researchers started studying the industrial relationships between buyers and sellers, sociologists were forming their own ideas about interaction and the nature of industrial market exchange. First discussed by Granovetter (1985), the notion of social embeddedness implies that all organisational behaviour and economic activity is embedded in a larger social context. In contrast to neoclassical economic theory, the social embeddedness perspective views firms as entities embedded in a network of relationships and industrial activities, which together influence their competitive spirit and behaviour (Borgatti & Foster, 2003; Gnyawali & Madhavan, 2001). In line with this view, exchange theorists have studied the various forms of social structure found in industrial markets, and the social connections firms establish through direct and indirect exchange (Cook & Emerson, 1984). IMP scholars have also acknowledged that a relationship between two firms is interconnected to the relationships each firm has with others internal and external to the network (Håkansson et al., 2009). However, it should be noted that IMP scholars tend to focus on the economic exchanges

between buyers and sellers, rather than the social exchange processes which influence the nature of interaction within business networks and markets.

Coleman (1988) has also contributed to the new wave of network thinking through promoting the social capital concept. In many ways, this has helped to resolve the discrepancies between the traditional theory of industrial markets used by economists, and the more contemporary perspective adopted by network researchers. By definition, social capital comprises the tangible and intangible resources that are intrinsic to the relationships between and among actors in a network or market system (Coleman, 1988). Unlike physical capital, which is created via changes to production materials, and human capital, which is created via employing new and skilled people, social capital is embedded in the evolving relationships between people (Burt, 1992; Coleman, 1988). With respect to inter-organisational relationships, social capital may be measured in terms of intangible elements like trust and mutual respect. Social capital also manifests in the form of strong behavioural norms, which in turn enforces a stable structure within networks, and ensures firms adhere to a spirit of cooperation. Strong social capital has also been found to provide a suitable foundation for knowledge transfer and organisational learning in networks (Uzzi, 1997). One of the main reasons for this is that social capital enables firms to interact and transact with ease, and thus enables networks to accomplish mutual objectives more efficiently and effectively.

In summarising the theoretical foundation of this research, there is clear academic support for the idea that firms do not operate in isolation (March & Wilkinson, 2009), and that the more traditional, and economic, perspectives of industrial markets are converging with those from the social arena. No business is an island (Håkansson & Snehota, 2006). A change in one relationship will lead to a change in another (Johanson & Mattsson, 1994). Inter-organisational relationships, and the networks that comprise them, both enable and constrain what firms see, know, think, and how they behave (Halinen et al., 1999; Wilkinson, 2008). How well firms perform, and whether they achieve their goals, is therefore influenced by their interaction with suppliers, customers, competitors, and other external parties, such as the government. Through working closely with these various

contacts, firms can access and combine resources, share and develop knowledge and expertise, and perform activities that would be unfeasible on an individual scale (Welch, Welch, Young & Wilkinson, 1998). Thus, network theory not only stresses how firms access knowledge and resources outside their internal boundaries, but also how these resources can be leveraged and what skills and know-how are appropriate for doing so (Gnyawali & Park, 2009; March & Wilkinson, 2009).

2.6 Inter-organisational relationships and business networks

As noted in Chapter One, business networks have generated considerable interest across academia and practice for their ability to explain the modern day structure and functions of industrial markets (Cunningham, 2007; Halinen et al., 1999). Broadly, they have been studied in the fields of marketing, economics, strategic management, sociology, entrepreneurship, tourism, and public administration and policy. A review of this literature reveals that considerable progress has been made in understanding what business networks are, how they emerge and change over time, and their characteristics. But while there is increasing interest in business networks and relationship marketing, an accumulation of widespread knowledge and understanding is still missing (Coviello, Brodie, Danaher & Johnston, 2002; de Lurdes Veludo et al., 2006; Oliver & Ebers, 1998). One significant area of debate surrounds the question of how business networks should be operationalised (Hoang & Antoncic, 2003). Further, in spite of the knowledge of network dynamics, a great deal about the different types of business networks is not yet known, or at the very least, unconfirmed by in-depth empirical research (Provan, Fish & Sydow, 2007).

Predominantly, business networks have been studied from the industrial marketing and purchasing perspective, whereby the buyer-seller relationship(s) in a distribution channel were the focus of the researcher (Easton & Araujo, 1992; Stern, 1996). Furthermore, most of the studies in this area have only collected data from a single party in the dyad, which may equate to misleading findings as only one side of the story is being told (Anderson,

1994; Iacobucci & Zerillo, 1996). As highlighted in Chapter One, industrial marketing research of this nature is also restrictive because its focus is the economic exchange between firms involved in two-party relationships. Studies that examine networks at a dyad level may also exert a strong bias towards a focal firm's thoughts and experiences, and therefore, do little to advance understanding of relationships at a whole network level (Provan et al., 2007). Research that emphasises dyadic relationships also supposes that a single company controls the actions of the network, which other theorists claim is incorrect (Ford, Gadde, Håkansson & Snehota, 2002). A single firm may acquire a position of power within a network, but other actors are still free to make their own decisions and act as independent entities.

Another point of disagreement within the broad network literature relates to the spotlight placed on the structure of networks, compared with the process of networking (Jack, Moul, Anderson & Dodd, 2010; Håkansson & Snehota, 1995). When approaching the former, researchers tend to count the number of inter-organisational linkages, and then examine the structure of the network by mapping the direction of these linkages (Jack et al., 2010). In comparison, researchers studying the process of networking explore the actual interactions and relationships embedded in these linkages. If scholars opt to concentrate only on network structure, it may be argued that they are forcing the influence of interaction and relationships into the shadows (Jack et al., 2010). In this thesis, both the structure of horizontal networks, and the process of interaction will be explored.

Following the introduction of the IMP network approach, scholars turned their attention to developing a well-established theoretical framework for studying, and defining, inter-organisational relationships (Jarillo, 1988). As previously indicated, the interaction approach, and in particular the ARA model introduced previously, is probably the closest to a widely accepted theoretical framework. However, this approach is often challenged by the multiple interpretations, definitions, and terminology surrounding its key concept: the inter-organisational relationship (Cova et al., 2010).

Relationships are broadly defined as the patterns of interaction between those involved over time (Easton, 1992; Wilkinson, 2008). In a business-to-business sense, inter-organisational relationships were traditionally thought to be distant and impersonal, as is the case with transactional exchange. But by consequence of the move towards a network economy, an increasing number of inter-organisational relationships are described as „close’, „complex’, and „long-term’ (Ford, 1990). In addition to being classified according to their strength and level of intimacy, the functions (or nature) of inter-organisational relationships can be broadly categorised into two areas (March & Wilkinson, 2009). On one hand, inter-organisational relationships may fulfil a dyadic or direct function, such as those between a firm and its suppliers, customers, or distributors. On the other hand, inter-organisational relationships may resemble more of an indirect form, where the actors in a network source information, advice, referrals and support from one another (March & Wilkinson, 2009). This research is focused on the latter.

Inter-organisational relationships and networks may also be classified as hierarchical or symmetrical (Ford, 2002). Hierarchical relationships are those in which one actor has control and power over the other party, while in symmetrical relationships and networks, power and control are more evenly dispersed. Hierarchical relationships stem from the traditional view of industrial markets, which suggested that individual organisations sought to maximise their utility and market share (de Lurdes Veludo et al., 2006).

As mentioned previously, much of the inconsistency in the application of network theory derives from the various terms used to describe the nature of interaction between firms, and more importantly, confusion surrounding the operationalisation of a business network. This is largely because the term „network’ represents a broad concept, which can apply to many inter-organisational relationships, such as alliances, joint ventures, partnerships, cooperatives, collaborative arrangements, and consortia (Buttery & Buttery, 1994). Although the basic premise of a business network is commonly understood, it is not always clear what academics and practitioners mean when they use the term (Provan et al., 2007). Thus, within the literature, definitions of a business network also vary considerably in their level of detail and scope.

Ongoing work by members of the IMP Group goes some way in addressing these apparent shortcomings. In one of their recent publications, key authors from within the group remarked that the sheer number of business phenomena that are considered by both policy-makers and academics as „networks’ is striking (Håkansson et al., 2009). Namely, the term „network’ has been used to:

refer to companies and organisations located within a particular region or country, to formal agreements between companies and other organisations; to companies and organisations related to a particular technology or industry, and to the informal relationships between individuals around particular organisations, technologies, businesses or places (Håkansson et al., 2009: 236).

In a general sense, networks are defined as sets of connected firms, or sets of connected business relationships between firms (Anderson, Håkansson & Johanson, 1994; Cook & Emerson, 1984). Within these fairly loose confines, there are numerous definitions of what constitutes a network. Cunningham’s (2007: 154) definition is fairly typical of what can be found in the literature. That is, networks are:

structures in which relationships and interactions between firms are embedded in complex linkages that facilitate economic, technological and social transactions.

Within the industrial marketing literature, others have used the term „network’ in a contextual sense when referring to the wider market structure that dyadic inter-organisational relationships and alliances are embedded (de Lurdes Veludo et al., 2006). Key authors from within the IMP Group agree that „a network consists of the tangible and intangible investments that comprise the connected relationships between two or more businesses’ (Håkansson et al., 2009: 236).

The term network has also been used to describe the specific linkages and relationships between a focal firm, and its suppliers, customers, distributors and/or competitors (Achrol, 1997; Anderson et al., 1994; Dyer & Singh, 1998). In this way, the activities and performance of a firm are influenced by the actions of other actors within *its* network (Batt & Purchase, 2004; Håkansson & Snehota, 1995). When defined in this way, a business network may contain firms that are not directly related to each other, nor

intended to be. Instead, these firms are linked through a series of dyadic relationships with a focal firm.

Jarillo (1988) also defines networks as a quasi form of organisation, containing long-term business arrangements that allow the actors involved to benefit in a strategic way. During the 1980s and 1990s, researchers began to use the term „network organisation’ when describing networks characterised by repeated exchanges among interdependent organisations, which relied on social relationships to protect their collective interests and reduce costs (Jarillo, 1988; Powell, 1990). Thorelli (1986: 37) supports this temporal perspective, by describing networks as „two or more organisations involved in long-term relationships’. The notion that a business network is something that evolves over the long-term and involves repeated exchanges between semi-autonomous organisations, helps to distinguish it from other more controlling forms of relationship, such as joint ventures, partnerships, or consortiums.

Despite its significant contribution, the industrial marketing perspective of business networks presents a research problem in terms of establishing network boundaries, and thus identifying appropriate networks for study. If a network is conceptualised as a series of connected relationships between two or more businesses, then networks can involve interaction between firms that are not in a relationship *per se*, but rather are connected through their relationships with a focal firm. Consequently, the true boundaries of the network are hard to define, and moreover, they change as firms enter and exit direct and indirect relationships.

In addressing the issue of network boundaries, some scholars have defined a business network as more of an exclusive and formal enterprise, consisting of related firms that are bound within contractual agreements to share resources and activities, inside their pursuit of a common goal. Hall et al. (1997: 11) for example define networks as „a group of organisations that share common organisational ties and can be recognised as a bounded inter-organisational system’. Similarly, Dean et al. (1997) state that networks are groups

of firms that combine their talents and resources, while Buttery (1992: 2) defines a network as:

three or more enterprises or organisations that work together for mutual benefit in a long-term relationship, by jointly undertaking tasks or sharing knowledge or resources, whilst maintaining their separate entities.

Others have emphasised the importance of cooperation and equality among the number of firms involved in a network while studying the benefits of network arrangements. Gelsing (1992) for example, defines business networks as cooperative arrangements between three or more firms with the aim of gaining strength in numbers, solving problems, entering new markets, or developing new products. From a public policy and administration perspective, networks have been defined as „special relationships between at least two firms that are beyond normal market transactions and have some permanence’ (Bureau of Industry Economics, 1995: xiv). Additionally, they represent a distinct, hybrid mode of coordinating economic activity, which is an alternative to the more hierarchical form of organisation present in some markets and larger firms (Harper, 1993).

2.6.1 Networks, alliances and clusters

In conducting network studies, most researchers focus on the operational issues associated with business networks. Some have contributed to the scholarly debate by specifically defining what they mean by the term „network’ and how this differs from other types of inter-organisational relationships. However, this is quite rare. In reviewing the development of networks in the Australian and New Zealand wine tourism industries, Hall et al., (1997) described a continuum of inter-organisational relationships ranging from dyadic linkages, organisation sets, action sets, to business networks. From their perspective, a dyadic linkage is „formed when two organisations find it mutually beneficial to collaborate in achieving a common goal’ (Hall et al., 1997: 11). The term „organisation set’ is used to describe the cluster of dyadic relations held by a focal organisation, while action sets include „organisations that work together in order to achieve a specific purpose’ (Hall et al., 1997: 11). Other tourism researchers, such as

Schreiber (2004) and Mitchell and Schreiber (2006), have offered further insight to the initial conceptualisation proposed by Hall et al. (1997), by arguing that dyadic relationships and organisation sets tend to be informal in nature, while action sets and networks are more formal expressions of cooperative behaviour. The notion that a network is a formal 'group of organisations that share common organisational ties and can be recognised as a bounded inter-organisational system' (Hall et al., 1997: 11) is certainly supported here. Despite these developments, an understanding of business networks that do not involve economic exchange, such as those between competitors, is much less clear (Easton & Araujo, 1992).

Within the empirical literature, further confusion derives from the interrelatedness of the business network concept with other forms of inter-organisational relationships, such as, alliances and clusters. While networks and clusters have much in common, they have different goals, operate at different levels, and, therefore, require different approaches (Rosenfeld, 2005). Because many researchers use the terms interchangeably, newcomers to the field may misinterpret research findings because they face 'multiple definitions and a tangle of meanings' (Provan et al., 2007: 481).

As a way of avoiding this potential confusion, Rosenfeld (2005) has argued that networks, alliances, and clusters are best viewed as variations of a theme rather, than wholly different concepts. Although networks and clusters represent a means for firms to acquire resources and achieve economies of scale externally; they do differ in terms of the types of relationships they contain, their outcomes, and the degree of membership required. For example, clusters have an open membership system, and consist of informal linkages between a number of geographically proximate firms and organisations (Enright & Roberts, 2001; Porter, 2000). This means that a cluster may include firms that sell inside and outside of the region, as well as suppliers of raw materials, components and business services (Hall, 2004). Porter (1990) suggests that clusters involve a wide range of firms and institutions, including: end-product or service companies; suppliers of specialised inputs; financial institutions; firms in related industries; firms in downstream industries;

producers of complementary products; specialised infrastructure providers; government and other training institutions; and, trade associations.

In contrast to clusters, alliances have a restricted membership and are generally more formal and administrative in nature (Arino et al., 2001; Gomes-Casseres, 1997; Gulati, 1998; Rosenfeld, 2005). Alliances have been defined as purposive agreements between two or more firms that work together to achieve a strategic objective, in an environment characterised by contested markets and uncertainty (Arino et al., 2001; Blackett & Russell, 1999; Kale, Singh & Perlmutter, 2000; Shamdasani & Sheth, 1995). Similarly, Porter (1990: 65) defines alliances as „long-term agreements between firms that go beyond normal market transactions but fall short of a merger’. Barringer and Harrison (2000) differentiate alliances from networks by stating that an alliance is a dyadic partnership that is less complex and more short-term than the types of relationships embedded in networks. Others, such as Lynch (1990) have argued that alliances are formal agreements between two firms, which are created for a specific purpose and consummated with a written contract.

Table 2.2 overleaf depicts the characteristics of formal networks, associations, and clusters according to Rosenfeld’s (2005) idealised notion of cluster theory. This thesis adopts the view that networks are different from clusters and alliances because they have a closed membership structure, and involve more than two firms.

Table 2.2 Different inter-organisational structures

	Formal networks	Associations	Clusters
Membership	Closed	Open, membership based	No membership required
Nature of interaction	Collaborative	Cooperative	Cooperative and competitive
Basis for agreement and decision making	Contractual (formal)	Determined by majority	Social norms and reciprocity (informal)
Major outcomes	Increased profits and sales	Shared resources, lower costs, benchmarking	Access to suppliers, services, labour markets
Basis of value and benefits	Shared functions and resources	Membership	Geographic location and proximity

Source: Adapted from Rosenfeld (2005)

Further confusion between the terms „network’ and „networking’ is also evident in the literature (see, for example, Buttery & Buttery, 1994; Zeffane, 1995). In general, networks are viewed as the structures in which firms and individuals engage in networking (Lynch & Morrison, 2007). Another useful distinction was made by Hall et al. (1997), whereby they defined networking as the behaviour or activities pursued by firms, and the network as the structural arrangement that facilitates this interaction.

In summarising the network definitions and discussion already offered, it is apparent that an all-inclusive definition that accounts for the full range of inter-organisational relationships is still lacking (Cova et al., 2010). Even without a generally accepted definition for the term business network, networks can be described in terms of their shared characteristics, namely their size, type and structure. Regardless of their choice of words, most researchers make the following assumptions when describing networks.

Firstly, networks encompass relationships between a group of two or more firms, which are tied together through on-going interaction and some degree of mutual dependence. Secondly, networks are dynamic in the sense that they evolve, change, and eventually dissolve, through the influence of a wide range of micro and macro factors. Thirdly, networks vary according to their structure, size, and purpose. Some networks may be organised around a focal firm, while others may be around a group of firms. As such, the size and structure of a business network partly determines the degree of collaboration (Uzzi, 1997). Furthermore, the purpose of business networks is likely to vary according to the direction of actor relationships, and the degree of network formality. Some networks, for example, have set membership criteria, thus, the boundaries of the network are easy to identify and the direction of the relationships can be determined. The purpose of this thesis is not to delineate an all-encompassing definition of a business network. Rather, the research focuses on a particular type of network that is increasingly observed, but rarely empirically studied.

2.7 The nature of interaction within business networks

As highlighted in Chapter One, the purpose of this research is to explore the nature of interaction within horizontal networks, which are unique because they comprise relationships between firms that are otherwise classified as competitors. Recent research has shown that there is a tendency for competitors to act individualistically in business networks, whereby they focus on what is best for their own company, rather than the network (or industry) as a whole (Tidström, 2009). Although many firms engage in this opportunistic and controlling behaviour, managers are increasingly recognising the opportunities to overcome resource constraints and knowledge deficiencies through cooperating with other manufacturers in their industry. Consequently, a vast range of cooperative arrangements and activities have flourished within business partnerships and networks over recent years (Wilkinson, 2006).

As outlined earlier in this chapter, inter-organisational relationships are relatively enduring transactions or linkages that arise between one or more firms (Oliver, 1990). The nature of such interaction can range from competitive to collaborative depending on the firms involved and the type of exchange taking place. Collaborative relationships, for example, involve joint action between two or more parties, resulting in an inter-penetration of organisational boundaries (Bello, Lohtia & Dant, 1999).

Within the literature, there is some confusion surrounding the terminology used to describe examples of inter-organisational coordination, cooperation and collaboration. In particular, the terms „collaboration’ and „cooperation’ are used interchangeably, as both are behaviours required for a business relationship to exist and prosper (de Lurdes Veludo et al., 2006). Not surprisingly, the mixed application of these terms is not limited to the academic community. Many practitioners also use the terms interchangeably, without much forethought to their different meanings. Most commentators do, however, agree that although the terms cooperation, collaboration, and coordination are separate, they are closely related (Fyall & Garrod, 2005).

In specifically addressing the terminology issue, Huxham (1996) separates the words used to describe positive forms of an inter-organisational relationship from those denoting a more negative connotation. Namely, the terms collaboration, cooperation, coordination, alliance, network, partnership and coalition are generally associated with positive relationships. In contrast, words such as conflict, competition, co-option and collusion imply a negative inter-organisational relationship. Stern (1971) adopts a similar distinction by stating competition involves opposition, while cooperation involves coalition.

Other straightforward definitions of inter-organisational cooperation include any situation where firms work together to achieve mutual goals (Anderson & Narus, 1990), or when the nature of exchange moves away from being transactional towards being relational (Palmer, 2001). Lynch (1990), for example, uses the term cooperation when referring to the links that bring organisations together, which ultimately enhances their ability to

compete. Similarly, Easton and Araujo (1992) suggest cooperation occurs when two or more parties have mutually dependent objectives.

Coordination, as a somewhat separate concept, has been defined as the process whereby two or more organisations collectively deal with their shared task environment (Fyall & Garrod, 2005), or as the process of organising network activities and relationships with the aim of improving activity effectiveness (Axelsson & Easton, 1992). Because networks imply the coming together of firms, and their activities and resources, coordination in a network sense should be more flexible and moderate than traditional coordination in organisations (Rampersad, Quester & Troshani, 2010). This thesis adopts the view that the terms cooperation, collaboration and to some extent, coordination, should be used to describe *how* firms relate to one another, while terms such as network, partnership, alliance, action set, or joint venture, should be reserved for describing the *actual form* the relationship takes. As such, one can start to place the terms coordination, cooperation and collaboration along a continuum of working relationships in terms of their complexity and degree to which firms are committed to the relationship. Wang and Xiang (2007) adopted this approach in their study of collaborative marketing at the destination level, and found that collaborative relationships among tourism enterprises range from affiliation, cooperation, and coordination, to collaboration and strategic networks.

A similar distinction was made by Himmelman (1996) who, as depicted in Table 2.3, argued that inter-organisational relationships commence with networking, which involves the simple exchange of information. Relationships then progress past coordination and cooperation towards the final stage, which involves firms exchanging information, altering their activities in response to other actors, sharing resources, and ultimately, enhancing the capacity of one another for mutual benefit and to achieve a common purpose (Himmelman, 1996).

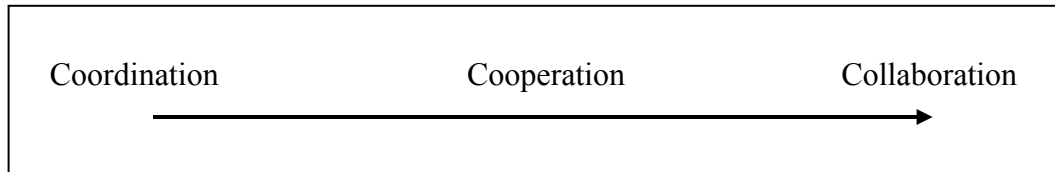
Table 2.3 A continuum of inter-organisational relationships

	Definition
Networking	Exchanging information for mutual benefit.
Coordination	Exchanging information and altering activities for mutual benefit and to achieve a common purpose.
Cooperation	Exchanging information, altering activities, and sharing resources for mutual benefit and to achieve a common purpose.
Collaboration	Exchanging information, altering activities, sharing resources and enhancing the capacity of one another for mutual benefit and to achieve a common purpose.

Source: Adapted from Himmelman (1996)

Thus, beyond the terms coordination and cooperation, collaboration refers to a more formal and intensive relationship between organisations (Huxham, 1996; Jamal & Getz, 1995; Himmelman, 1996; Wang & Krakover, 2008). In support of this view, Achrol (1997) suggests that inter-organisational cooperation can be manifested via contractual obligations, while collaboration implies a much greater level of commitment, closeness, and sharing between the firms involved. In addition, Jamal and Getz (1995) suggest that cooperation implies that two or more firms are working together towards some end, while collaboration should be reserved for describing instances of stakeholders recognising problems within their domain, and responding to them jointly. When viewed this way, the nature of relationships may be represented along a continuum in a similar way (see Figure 2.2 overleaf). This supports previous research which established that the broad concept of collaboration may be mapped along a continuum ranging from weak and distant, to strong and close (Kanter, 1994).

Figure 2.2 The nature of inter-organisational relationships



In revising their earlier definition of the concept, Wood and Gray (1991) argued that collaboration occurs when a group of autonomous businesses act and decide on issues related to their problem domain, during which they engage in an interactive process of sharing rules, norms and structure. Similarly, Whipple et al. (2010) define collaboration as a long-term relationship whereby firms cooperate, share information, and work together, in the planning of their business practices so as to improve the collective performance of their industry. In other words, collaboration involves joint decision making between the key stakeholders of an industry, with the purpose of solving generic industry problems and exploiting industry-wide opportunities (Selin, 1993). More recently, inter-organisational collaboration has been defined as the outcome of two or more organisations interacting for the purposes of creating new organisational *and* social structures (Thomson, Perry & Miller, 2007). As part of this process, firms create structural dimensions, such as jointly created rules, and social dimensions, such as shared norms and interdependence. The structural dimensions of collaboration may then be used to govern the way individual actors behave in a network, while the social dimensions create feelings of mutuality.

Following a review of the collaboration literature, a key issue with much of the empirical work is the definition and operationalisation of the term collaboration is often too broad. For example, some authors have argued that collaboration is simply the opposite of a transactional relationship, and this suggests that the terms collaboration and cooperation may be used synonymously (Kanter, 1994). Indeed, a large portion of the literature uses the term collaboration to describe and classify activities that could otherwise be deemed merely cooperative. In attempting to address this issue, this research views collaboration

as a process that builds on cooperation and coordination. As such, the term „collaboration’ will be used when referring to a more complex, and intense form of interaction within horizontal networks of wine producers.

2.8 Classifying different network forms

This chapter has already indicated that the study of inter-organisational relationships occurs across a range of disciplines, and hence, the classification and perceptions of what is a business network vary significantly. Drawing on the generic network literature, it is possible to classify networks according to the nature of linkages between members, and the nature of network governance. Such distinctions are necessary to identify the nature of interaction within business networks, and appropriate network strategies or policy. Within the literature, strong emphasis is placed on the nature of network governance, and the type of the firms involved. While marketing and management researchers have paid much attention to the formal and informal relationships and networks between buyers and sellers, the interaction between competitors, or other non-business organisations like government and educational institutions, has attracted far less research (Hadjikhani & Thilenius, 2005).

2.8.1 Vertical and horizontal networks

As highlighted in Chapter One, in-depth research into the different types of inter-organisational arrangements offers insight to why some of the less traditional cooperative arrangements succeed, and how these may affect the wider industrial marketing system. When studying business networks and their embedded inter-organisational relationships, a common first step is to classify the direction of the linkages, or in other words, the types of firms involved (Fyall & Garrod, 2005). In most cases, networks are described as either being vertical or horizontal.

Researchers applying traditional network theory have largely focused on the vertical arrangements and dyadic relationships between members of a supply chain, such as suppliers, manufacturing firms, distributors and intermediaries (Achrol, 1997; Easton & Araujo, 1992; Håkansson, 1982; Stern, 1996). Vertical networks are a form of cooperative arrangement between two or more heterogeneous members of a supply chain, who require different resources but are related because the output of one firm is an input for another (Hart & Rice, 1988). Vertical networks tend to be more common than horizontal networks because they offer substantial opportunities for buyers and sellers to cooperate through information sharing, distribution, and producing complementary products. Given the industrial marketing origins of the network approach, the extent of academic research on vertical networks is also more substantial (Chetty & Wilson, 2003). However, over the past few decades, several authors (see, for example, Easton, 1990; Easton & Araujo, 1992; Milward & Provan, 2003; Tidström, 2009) have highlighted the need for more research examining the nature of relationships and networks between homogeneous firms that are located at the same point in the supply chain (i.e. competitors).

As early as the 1970s, scholars observed that the traditional roles of organisations in industrial markets were not static, and that they were changing (Stern, 1971). With the introduction of network theory, researchers agreed that organisations are not strictly competitors and independent entities, but rather they cooperate and experience conflict just like any other social group (Håkansson & Snehota, 1995). Some firms may even compete in some activity areas, while simultaneously cooperating in others (Bengtsson et al., 2003). For example, two or more businesses may cooperate in order to gain access to external resources, or in areas that are away from the customer, such as procurement and research and development (Bengtsson & Kock, 1999; Laine, 2002). At the same time, they may fight for competitive advantage through adopting sophisticated marketing strategies or having superior manufacturing capabilities. The paradoxical relationship that emerges when two firms cooperate in some activities, and at the same time compete with each other in other activities, is known as „co-opetition’ (Bengtsson & Kock, 2000; Brandenburger & Nalebuff, 1996; Laine, 2002; Morris et al., 2007; Walley, 2007). The

internal logic of co-opetition rests on the premise that competitors are in many ways complementary partners (Bengtsson et al., 2003). That is, they share much of the same understanding, capabilities, and market interests.

Traditionally, the mere existence of such commonalities would have created an environment of pure competition. However, in a network economy, a move towards more cooperative relationships can be beneficial to all parties involved. In a horizontal network context, cooperative relationships indicate that two or more competitors have a shared interest in working towards a common goal (Bengtsson et al., 2003). Relationships between competitors grant organisations access to resources they could not obtain individually, and can represent the means by which they can penetrate markets they would otherwise be unable to enter (Morris et al., 2007). However, a key issue that remains unanswered by the literature is: how can competitors within a network resist from acting in conflict with one another in order to achieve the goals of the network (Bengtsson & Kock, 2000).

Previous research has suggested that more than fifty per cent of cooperative relationships involve competitors (Harbison & Pekar, 1998). The benefits of such arrangements rest largely on the opportunities to generate significant economic advantages and economies of scale, and achieve superior performance and capabilities over the long-term (Gnyawali & Madhavan, 2001; Lado, Boyd & Hanlon, 1997). Although some scholars argue that collaboration between competitors may inhibit healthy competition and facilitate collusion (see, for example, Porter & Fuller, 1986), others argue that inter-competitor cooperation is the one of the most advantageous forms of all inter-organisational relationships (Bengtsson & Kock, 2000). However, based on the work of Easton and Araujo (1992), Bengtsson and Kock (1999) argue that the co-opetitive relationship is the most demanding of the four different inter-competitor relationships¹⁷.

¹⁷ The four different types of inter-competitor relationships Bengtsson and Kock (1999) identified are: coexistence, cooperation, competition, and co-opetition. When competitors simply coexist, the relationship involves merely information and social exchanges. However, bonds are not present. When competitors are involved in a cooperative relationship, the exchanges are more frequent, and are along business, information and social lines. Social, knowledge, legal and economic bonds can, therefore, all be present. A purely competitive relationship means that competitors follow each other. That is, if one launches a new

In their study of co-opetition as a small business strategy, Morris et al. (2007) found that cooperation between competitors had a positive effect on business performance, and in particular, enabled small firms to coordinate their product lines and technological diversity. Horizontal networks have also been found to provide firms with the opportunity to access external knowledge sources and engage in organisational learning (Bengtsson & Kock, 2000; Morris et al., 2007). Furthermore, competitors engaged in cooperative relationships can obtain access to a large volume of network resources, acquire advanced knowledge of important developments in their industry and developing markets, and increase their ability to control information and resource flows within a network (Gnyawali, He & Madhavan, 2006).

In the past two decades, some research on the network linkages and relational ties among competing firms has emerged. This trend supports similar trends taking place in practice, where it has been reported that over fifty per cent of new inter-organisational alliances are between competing firms (Harbison & Pekar, 1998). Others have suggested trade associations provide a popular mechanism for formal cooperation between horizontally-integrated firms (Easton & Araujo, 1992; Oliver, 1990). The success of this form of networking is, however, affected by the number of firms involved, and the range of benefits the association offers. Trade associations allow competitors to enhance their own image, collectively lobby public regulators, obtain economies of scale, reduce legislative uncertainty, and promote the industry at a collective, rather than individual, level (Buttery & Buttery, 1998; Oliver, 1990). Competitors within the same industry may also enter networks for the purposes of developing industry standards (Grundström & Wilkinson, 2004), breaking into new markets (Welch et al., 1998), and liaising with public bodies such as government and universities (Welch & Wilkinson, 2004).

Empirical research on horizontal networks between competitors is varied in its scope and findings. Some authors have argued that horizontal networks are inferior to vertical networks because of their predisposition to internal conflict and reduced intra-group

product, the other will immediately follow. Finally a co-opetitive relationship involves both economic and non-economic exchange.

cohesion (Welch et al., 1998). A similar finding was made by Andresen, Lundberg and Roxenhall (2009), whose longitudinal study revealed that Swedish firms are generally unwilling to coordinate their individual activities with those pursued by other firms in their horizontal network. From a somewhat different perspective, Butler et al. (1990) found that network linkages between competitors can have a positive influence on firm performance, because they encourage competitors to compete more efficiently and effectively, and provide a valuable means of information and knowledge sharing. Furthermore, horizontal networks can result in superior value and efficiencies because competitors often use the same suppliers and technology, and are regulated in the same way (Wilkinson, 2008).

As introduced in Chapter One, horizontal networks comprise homogeneous firms positioned at the same point in the supply chain or same position in an industry (Buttery & Buttery, 1998; Chetty & Wilson, 2003; Easton & Araujo, 1992). Unlike vertical networks, which primarily involve economic exchange, horizontal networks are characterised by more intangible forms of exchange, such as information sharing and social activity (Bengtsson et al., 2003; Easton & Araujo, 1992). Because horizontal networks involve relationships and interaction between competitors, how they operate, the goals they pursue, and the extent of resource sharing is remarkably different from networks containing vertically-integrated firms (Buttery & Buttery, 1998; Tidström, 2009). Most of these differences arise because networking with competitors carries significantly more risk for a firm (Laine, 2002). This, in turn, creates complexity in managing firm behaviour and activities within horizontal networks (Möller et al., 2005).

Most horizontal networks are initiated by unforeseen environmental changes or by an external party, such as a government agency. Conversely, vertical networks tend to be initiated more independently by the firms themselves (Bengtsson & Kock, 1999). Structurally, horizontal networks contain a high degree of crossover between the domains and resources of the firms involved. This influences the extent to which the actors coordinate their marketing activities with those of the network (Buttery & Buttery, 1998).

Although horizontal networks are predominantly defined according to the relationships between homogeneous firms, these networks occasionally interact with government agencies, non-profit organisations, research institutes, and universities (Möller et al., 2005). Government agencies, for example, have a key role in funding and supporting a horizontal network's activities, while universities and other institutions may have a vested interest in the industry and are, therefore, stakeholders of the network. Horizontal networks may also comprise firms from complementary industries or product lines, such as wine and tourism. In which case, the network may be referred to as a „diagonal network' (Hart & Rice, 1988; Morrison, Lynch & Johns, 2004).

Despite the clear structural differences between the two main types of business networks, horizontal networks represent a relatively neglected area of study. Around the 1990s, some initial research was conducted on the relationships between competitors in a horizontal network setting, rather than the traditional buyer-seller arrangement (Bengtsson & Kock, 1996; 1999; Easton & Araujo, 1992). Since then, horizontal network research has been predominantly of a conceptual nature, and has a clear focus on the structure of horizontal networks rather than the nature of interaction. Further research in this area would contribute to the development of a framework that not only captures the complexity of inter-competitor relationships, but also delineates the key antecedents and barriers to this relatively uncommon form of business network (Bengtsson & Kock, 1999; 2000; Bengtsson et al., 2003; Tidström & Åhman, 2006).

2.8.2 Formal and informal networks

Another key characteristic used to classify business networks is their governance structure, or the degree to which the network is managed as a formal collective (Gomes-Casseres, 1994). Networks can be classified according to the connectivity and closeness of their actor, resource and activity linkages. Thus, they can range from loosely connected to very formal and integrated. How a network is governed, and which individuals or groups of companies maintain control, affects not only what the network

can achieve, but also the fate of individual members (Gomes-Casseres, 1994). Further, classifying networks according to their hierarchical structure (Gulati, 1998), provides insight into the nature of network decision making, the type of activities pursued by the network, and the extent of resource sharing between actors. Further, the distinction between formal and informal networks is also important as it provides some indication of the role of trust and social exchange (Brito, 1999).

At one end of the continuum, networks may be held together by an informally-accepted code or set of behavioural norms, which members accept as the basis for governing their behaviour and actions (Easton & Araujo, 1992; Morrow, Hansen & Pearson, 2004; Palmer, 2002). At the opposite extreme, network actors adopt a rigorous system that uses rules and procedures to govern their relationships and activities, and written agreements that stipulate how resources will be organised and distributed (Morrow et al., 2004; Palmer, 2002). Formal networks may also be classified as those which comprise firms that have come together for a specific commercial purpose or aim, or as networks that are characterised by contractual obligations or agreements (Dean et al., 1997; Easton & Araujo, 1992; Hall et al., 1997). Examples of formal networks may include formal industry associations, in which members cooperate for marketing or supply purposes (Morrow et al., 2004).

Formal agreements and contracts within networks not only regulate firm behaviour, but they also define the rights and obligations of the firms involved (Williams, 2005). Formal networks that are controlled by a governing committee of network representatives imply that certain firms or individuals have more power and control than others (Gomes-Casseres, 1994). Because of their rigid structure and preference for rules and procedures, formal networks must be managed carefully so to avoid member conflict and opportunism (Williams, 2005). Similarly, IMP researchers have found that formal contracts are often insufficient for resolving the uncertainties, conflicts and crises that a business network is bound to go through over time (Håkansson & Snehota, 1995). In which case, rather than exercise control and authority through a hierarchical structure or contract agreement, academics have suggested that committees are an effective means of

using socialisation and peer review in reaching consensus (Achrol, 1997). Actors in positions of seniority, or processes undertaken for the purpose of tradition, also play an important role in managing networks and the actions of certain individuals (Achrol, 1997).

Most formal networks, however, emerge from informal gatherings between business owners and managers (Zeffane, 1995). It is during these meetings that firms develop confidence and familiarity with one another. Over time, they begin to influence the values and behaviour of each other, after which point, the network becomes more structured and formal rules and procedures are developed (Zeffane, 1995). As networks evolve into more formal associations and their governance mechanisms develop, a certain image and credibility status becomes embedded in the network (BarNir & Smith, 2002).

Previous research has revealed strong support for the influence of a formal governance style on network outcomes. For example, Palmer (2002) found that some of the most effective networks in the United Kingdom tourism industry were those that were governed by formal rules and conditions. Such networks are often managed externally by government agencies and industry associations, and these bodies have an important role in providing funding and administrative support to networks (Palmer, 2002). Government bodies have also been found to assist networks in organising regular social meetings and trade fairs between otherwise competing firms in the same industry (Gemser & Wijnberg, 1995). In contrast, Rosenfeld (2005) argued that the most successful and valuable networks were those that the actors themselves created and managed, rather than those that were forced by external government agencies and policy. However, governments may also play a role in 'kick starting' inter-organisational collaboration and providing incentives for innovation (Rosenfeld, 2005).

In their review of network literature published between 1985 and 2005, Provan et al. (2007) analysed the findings of empirical research according to the nature of network governance and decision making. They found that most networks make both strategic and operational decisions at a collective level, in which the allocation of activities and responsibility is formally decided through meetings, or more informally through ongoing

interactions between members. A small number of networks may also be governed by a focal firm, or small group of firms. In such cases, the allocation of activities and responsibility is controlled by representatives of the focal firm, who are also responsible for maintaining the network and seeking out valuable external relationships. Finally, networks may be governed by an organisation that is specifically created to oversee the network's activities and resources. However, the role of such an organisation is primarily support, hence, some decision making may still occur at the collective or focal firm level (Provan et al., 2007).

In contrast to formal networks, informal networks encompass individual representatives of firms that meet mainly for social purposes and/or to exchange information (Dean et al., 1997; Easton & Araujo, 1992; Lynch & Morrison, 2007). In which case, informal networks may comprise small business owners networking or socialising with past and present business associates, (Morrow et al., 2004; O'Donnell, Gilmore, Cummins & Carson, 2001). Others have defined informal networks as those that are based on the notion of trust, social bonds, and mutual benefit, in contrast to formal networks in which actor relationships are underpinned by rules and structure (Bengtsson & Kock, 1999; Easton & Araujo, 1992).

Prior research has found that informal networks generally have higher levels of cooperation and lower threats of opportunism because the firms are more motivated to share resources and cooperate and there is less risk involved (Dyer & Singh, 1998). Furthermore, informal networks generally lead to longer lasting relationships, which in turn can make them more valuable than their formal counterparts (Welch et al., 1998). More recently, researchers have argued that informal networks provide a more suitable conduit for knowledge transfer, because information can be exchanged more freely when the networking between firms takes place outside of contractual boundaries (Taplin, 2010). Advocates of the IMP network approach also agree that informal mechanisms are more effective than formal contracts in the development of trustworthy and long-term relationships (Håkansson & Snehota, 1995).

A review of business network literature revealed that academics use a range of terms when classifying networks according to their degree of formality. For example, some distinguish between networks that are „hard’ and „soft’ (Buttery & Buttery, 1995; Rosenfeld, 1996; Sherer, 2003), or „strategic’ and „social’ (Birley, 1985; Burt, 1992; Johanson & Mattsson, 1988; Gulati, Nohria & Zaheer, 2000; Inkpen & Tsang, 2005) rather than the traditional classification of formal and informal.

Similar to formal networks, hard networks involve firms cooperating for the purposes of joint production, marketing, or entering a new market (Rosenfeld, 1996; Sherer, 2003). As such, they require formal agreement and contractual understanding. Hard networks are usually smaller in size because their membership is more exclusive and based on a specific set of criteria. Expectations of member behaviour are also very high, and duly regulated in hard networks (Buttery & Buttery, 1995).

In contrast, soft networks are more informal, and include firms that simply come together to share information, ideas, and learn new skills (Buttery & Buttery, 1995; Rosenfeld, 1996). Traditionally, „soft’ networks were an industry’s trade association(s), whose role was to organise social events and gatherings for the firms in an industry. Thus, soft networks are generally larger in size, and the extent to which firms are expected to be involved in the network, is more relaxed and care-free (Buttery & Buttery, 1995). Previous researchers have argued that soft networks were vital to the development of many industries, as they enabled firms to build the level of trust required prior to them instigating more formal business dealings, relationships, and networks in the future (Rosenfeld, 2005). A summary of the key differences between hard and soft networks, or formal and informal networks, is depicted in Table 2.4.

Table 2.4 The characteristics of formal and informal networks

Formal/hard networks	Informal/soft networks
Contract commitment	Casual association
Membership is exclusive and based on level of strategic input	Membership is open and based on loose criteria of eligibility
Usually small in size	Usually large in size
Formal structure, with clear expectations regarding contribution	Informal and casual structure, not necessary for all members to contribute, except for paying an annual fee
Frequent attendance at network events and meetings required	Occasional attendance accepted
Members cooperate for the purpose of purchasing, product development, production and marketing	Purpose is usually limited to providing information to members and organising functions

Source: Adapted from Buttery and Buttery (1995)

As mentioned previously, networks may also be classified as either strategic or social depending on their objectives and the type of actors involved. Social networks, in which the owner/manager is involved, comprise family members, friends and colleagues (past and present), or a manager's personal relations and contacts (Birley, 1985; Burt, 1992). As such, they support the definitions of informal networks cited previously. On the other hand, strategic networks can be defined as networks of relationships between a firm and its customers, suppliers, distributors and competitors (Johanson & Mattsson, 1988), or simply as networks with strategic significance (Gulati, Nohria & Zaheer, 2000; Inkpen & Tsang, 2005). The term 'semi-formal network' has also been advocated by some researchers, in which case a network's social interactions are given equal importance to the more formal and strategic aims of the network (Gibson, Lynch & Morrison, 2005).

From a horizontal network perspective, competitors may cooperate for both formal and informal purposes (Easton & Araujo, 1992). Formal inter-competitor networking may involve joint activity in the areas of production, procurement, research and development,

promotion, or investment in third parties (i.e. customers). When competitors engage in informal networking, social norms, information and people are generally transferred. The focus of this thesis relates primarily to the formal networking activities listed above. However, it makes the assumption that the transfer of social norms and information may enhance the formal networking activity competitors are engaged in.

2.9 Chapter summary

In the absence of comprehensive literature regarding the nature of interaction within horizontal networks, this chapter has reviewed theory and research as it relates to other forms of inter-organisational networks, alliances and dyadic relationships. It began with a review of the developments in industrial marketing and the network paradigm. This incorporated a description of the interaction approach, which originated from the IMP Group's research on the relationships and nature of exchange between buyers and sellers. Since its introduction, this approach has gained acceptance for its application to a range of network and relationship phenomena. The range of definitions for the term 'network', and more broadly, inter-organisational relationships, were also analysed and placed in context with other relationship-oriented terms, such as 'alliance', 'cluster', and 'networking'. This chapter concluded with a discussion of the different forms business networks can take, according to firstly the vertical or horizontal direction of relationships, and secondly, the degree of formality.

CHAPTER THREE

NETWORK RELATIONSHIPS

3.1 Introduction

Following on from Chapter Two, this chapter reviews the factors that contribute to successful inter-organisational relationships from a network perspective. The chapter commences with an introductory discussion highlighting the importance of social and psychological factors. This then leads into a discussion of the key concepts that contribute to a network environment enriched with collaboration, rather than competition. Although much of the literature stems from traditional network theory, which adopts a clear vertical focus, research has shown that the presence of trust, commitment, and mutual benefit, may also contribute to the longevity of horizontal networks and inter-competitor relationships.

3.2 Factors that enhance network relationships

In addition to studying the structure and formation of business networks, a number of researchers within the broader marketing and management fields have focused their efforts on understanding what factors underpin successful network relationships. In doing so, some scholars have even likened business relationships and partnerships to that of a marriage (Kanter, 1994; Wilkinson, 2008). As with personal relationships between people, business networks may begin with a honeymoon period; grow and develop into feelings of strong commitment and comfort with one another, and because of disagreement between the parties or because one party's needs are no longer being fulfilled, the relationship can result in divorce (Kanter, 1994). Networks, like marriage, may also comprise „fleeting encounters' or „temporary affairs' (Wilkinson, 2008). Others, however, involve compromise, change, and satisfaction over the long-term (Kanter, 1994).

Ultimately, the success of business networks is largely dependent on the quality of relationships between actors (Brunetto & Farr-Wharton, 2007). A search of the network literature revealed that social and psychological factors are the most frequently cited antecedents of networks characterised by cooperation and collaboration, rather than competition or opportunism. Other factors such as firm compatibility, network benefits, adequate governance procedures, physical proximity of firms, and favourable economic conditions are clearly important; however, authors argue that these conditions are only really a starting point for successful network relationships (Arino et al., 2001).

This thesis is particularly interested in the factors that contribute to the development of successful network relationships between wine producers in the Tasmanian wine industry, who by definition, are competitors. Although in-depth studies of the antecedents of horizontal networks are somewhat limited, reviewing the foundations of other types of inter-organisational relationships may help to explain why some formal horizontal networks can endure industry changes and environmental pressures, whilst others fail to provide their members with any real benefit and are quick to disintegrate.

3.2.1 Social bonds and social activity

As highlighted in Chapter Two, the position a firm fulfils within a network is influenced by the wider environment it operates in, and in particular, the amount of social interaction between itself and other firms (von Friedrichs Grangsjö, 2003). Although business networks comprise firms, these firms are represented by people and people are social animals (Wilkinson, 2008). As such, the social bonds that exist between the individuals representing network firms hold significant bearing over the strength and quality of network relationships (Easton, 1992). Networks containing strong social bonds between actors have been found to be more stable, and more likely to withstand change and disruptive forces from within and outside the network (Easton, 1992). Furthermore, strong social bonds are likely to give rise to more trustworthy information being shared within the network (Uzzi, 1997). This, in turn, creates an environment where problem

solving and conflict resolution is much easier and more likely (Arino et al., 2001). Weak social bonds, on the other hand, contribute to networks being volatile (Easton, 1992). Networks characterised by weak social bonds also hold significantly less influence on the individual behaviour of the firms involved (Easton, 1992).

In section 2.3.1, it was noted that strong social bonds can be considered an enabling factor to activity coordination and resource sharing within business networks. In the context of vertical networks, Johnsen, Wynstra, Zheng, Harland and Lamming (2000) found that coordinated social activity can lead to better information processing, knowledge sharing, decision making and conflict resolution between supply chain members. Furthermore, continual social activity and interaction can lead to a network being likened to a family, and members experiencing feelings of belonging and security (Achrol, 1997; Easton, 1992). When network actors have worked with each other before, they have had the chance to establish personal connections, and have developed some social norms and common language (Henriksen, 1995). Business networks flourish when their members share the same values and norms, and are loyal to both the network and other members (Zeffane, 1995). These examples of social bonds may be facilitated through the formation of social groups or committees within the network, and/or by ensuring that all network firms attend as many formal and informal meetings as possible (Zeffane, 1995). Thus, the first factor affecting network relationships is a strong social climate that extends beyond the need for economic interaction and commercial transactions between members (Achrol, 1997).

There is some debate surrounding the influence of social relations on economic and network behaviour (Uzzi, 1997). While most authors agree that social relationships play a significant role in the longevity of business networks, some argue that social relations only minimally affect industrial markets because they create inefficiencies in transactions and economic exchange (see, for example, Peterson & Rajan, 1994). However, strong social bonds between actors in a formal horizontal network is likely to enhance the level of trust, which in turn creates value and benefits beyond the narrow scope of contractual obligations (Arino et al., 2001). Bengtsson et al. (2003) also support the view that strong

social bonds between actors in horizontal networks are vital to cooperative relationships forming.

3.2.2 Inter-organisational trust

Within the broad marketing and management literature, trust and commitment appear repeatedly with regard to the development and management of relationships between firms and their customers (Christopher et al., 1991; Grönroos, 1994; Morgan & Hunt, 1994). Others have noted that managing and maintaining relationships at the business-to-business level requires very different principles and techniques compared with that between a firm and its customers (Gummesson, 1999). In order to trust another party – be they a customer, supplier, or competitor – firms must relinquish some control and take a „leap of faith’ (Achrol, 1997: 66).

Extending the notion of strong social bonds, successful network relationships are also built on inter-organisational trust. In a business-to-business sense, trust is defined as one party’s belief that the other party(s) will forgo their own selfish interests to those of the network (Arino et al., 2001). The important role of trust in inter-organisational relationships, especially those over the long-term, is well established in the network literature (Hoang & Antoncic, 2003; Jarillo, 1988; Morris et al., 2007; Tidström & Åhman, 2006; Whipple & Frankel, 2000; Zeffane, 1995). From a more practical perspective, trust is vital to relationship success over the long-term through its relationship with network stability (Buttery & Buttery, 1994). In other words, trust is the „glue’ that binds networks together (Fletcher & Fang, 2006). Trustworthy relationships also suggest that network firms will avoid exploiting another firm’s vulnerabilities (Morrow et al., 2004).

The concept of inter-organisational trust is grounded in a firm’s reputation, credibility, and past performance, and is forged through personal friendships and regular interaction (Felzensztein & Gimmon, 2009; Thorelli, 1986). Trust is also marked by a firm’s

confidence in the continuation of a relationship that is mutually satisfying, as well as their confidence in the reliability and integrity of other actors (Morgan & Hunt, 1994; Thorelli, 1986; Zineldin, 2004). Trust may also be measured in terms of the type of information firms share, and how confident they are in the advice that they receive (Carson et al., 2004). When trust is present in a regional cluster, firms are willing to rely on other actors to perform activities and share resources (Felzensztein & Gimmon, 2009). In addition, trust motivates firms to cooperate in the future, which suggests trust and cooperation continue to build on one another as the network relationship evolves over time (Anderson & Narus, 1990).

However, trust and trusting behaviour cannot be forced or imposed; rather, they are earned through the course of ongoing and personal exchange between firms (Batt & Wilson, 2000; Håkansson & Snehota, 1995; Somogyi, Gyau & Bruwer, 2010; Zineldin, 2004). Drawing on this understanding, researchers have found that informal meetings and social networking provide an ideal means for actors to build trust within business networks and clusters (Buttery & Buttery, 1994; Felzensztein & Gimmon, 2009; Zeffane, 1995). In addition, social activities that encourage close contact between members can foster a sense of family and camaraderie, which in turn, enhances the likelihood of trust developing (Morrow et al., 2004). This type of social interaction is particularly important within the SME sector, as research by Brunetto and Farr-Wharton (2007) found that SME owner/managers are somewhat reluctant to share commercially sensitive information within their networks. However, the more times owner/managers meet informally, the more likely firms will trust one another and begin to benefit from network activity (Brunetto & Farr-Wharton, 2007).

High levels of trust can also lead to greater amounts of information sharing and knowledge transfer (Carson et al., 2004; Cunningham, 2007; Inkpen & Tsang, 2005; Kumar, 1996). When firms trust one another, the need to pre-specify every possible detail about the relationship is also greatly diminished (Zineldin, 2004). Therefore, trust can make decision making and reaching of consensus easier, particularly in formal networks (Arino et al., 2001). Firms involved in trustworthy network relationships have a greater

chance of resolving disagreements, and are generally more accepting of conflict and disappointment (Anderson & Narus, 1990). Trustworthy relationships also encourage firms to behave fairly, even when the circumstances may justify opportunism (Arino et al., 2001). In addition, they reduce a firm's perception of relationship risk (Buttery & Buttery, 1994).

To build and reinforce trust in business networks, actors should emphasise problem-solving, rather than control, in their approach to decision making (Achrol, 1997). In addition, networks should adopt a system of self-regulation, and develop a transparent structure where information can be accessed easily and routinely (Achrol, 1997). When these conditions hold true, the traditional network governance mechanisms of a hierarchy and/or written contracts, can be replaced with more relational mechanisms such as trust, commitment and communication (Achrol, 1997; Achrol & Kotler, 1999; Arino et al., 2001).

From an Australian perspective, research has revealed that the development of trust within SME networks is dependent on how long the actors have been involved in the network, the size of the network, and how the network is governed (Smith & Holmes, 1997). Others have also established a link between trust and network size. For example, if a network becomes too diverse or large in terms of its membership base, the level of inter-organisational trust is likely to decrease (Powell, 1990). Research by Morrow et al. (2004) also explored the nature of trust and its antecedents, in the context of the United States agricultural industry. Through structural equation modelling, the study tested the relationships between each of the cognitive, affective, and general components of trust, and the performance of the network. Overall, the authors concluded that agricultural firms would be more satisfied and committed to the network if they trusted the individuals who had been elected to manage the cooperative's marketing activities (Morrow et al., 2004).

Despite there being a wide range of literature that discusses the presence of trust in inter-organisational relationships, much of this work explores the role of trust in vertical

networks and dyadic exchange between buyers and sellers (Dwyer et al., 1987; Ganesan, 1994; Jiang, Henneberg & Naudé, 2010). From a horizontal network perspective, the concept of trust is far less understood, and in all likelihood, is more complex (Morris et al., 2007). Traditionally, relationships between competitors may have contained some level of trust, albeit relatively low (Morris et al., 2007). For example, competitors may trust one another not to engage in certain practices, behave unethically and, in general, not to undermine the welfare and reputation of the industry (Morris et al., 2007). Competing firms may, however, be less trusting when it comes to sharing information and knowledge that could be used against them. Thus, members of horizontal networks must achieve a delicate balance between protecting their individual business interests, and the collective interests and needs of the group (Palmer et al., 2000).

Most of the literature dealing with trust in business relationships views it as a multidimensional concept (Jiang et al., 2010), emphasising constructs such as honesty, reliability, sincerity, credibility, and integrity (Parker, 2000; Sherer, 2003). In a horizontal network situation, trust has been defined as:

a sense of common identity and shared norms among key firms and individuals and the recognition that collective action can diminish opportunistic behaviour (Taplin, 2010: 12).

In this research, trust will be measured by how well a wine producer believes others will fulfil their network obligations, and refrain from behaving in an opportunistic manner. The degree to which horizontal networks share information and knowledge will also be used as an indicator of trusting behaviour.

3.2.3 Commitment

Much of the literature on inter-organisational collaboration between two or more firms cites Morgan and Hunt's (1994) key article on the role of trust and commitment in developing quality relationships. Although these authors acknowledge the presence of contextual factors in determining the nature of inter-organisational exchange, they duly

emphasise the contribution of trust and commitment to relationship success. Both variables are influenced by the presence of shared values, with trust also being positively influenced by communication, and negatively influenced by opportunistic behaviour (Morgan & Hunt, 1994). Commitment is linked closely with the degree of relationship benefit, and negatively affected by the perceived costs of terminating the relationship or switching to another party (Morgan & Hunt, 1994). When both commitment and trust are present, inter-organisational relationships will be conducive to an environment of cooperation and collaboration, rather than competition and conflict.

Like trust, the concept of relationship commitment is grounded in long-term exchange between firms. From a network perspective, commitment is measured by a firm's desire and effort to maintain network linkages (Carson et al., 2004; Coote, Forrest & Tam, 2003; Dwyer et al., 1987; Morgan & Hunt, 1994; Morris et al., 2007). Such efforts require both willingness, and an ability, to make financial and non-financial investments in the relationship (Morris et al., 2007). Non-financial investments can include time, effort, attention, and expertise, while financial investment can take the form of resources or membership fees. Commitment can, therefore, distinguish ongoing inter-organisational relationships from one-off transitory exchange between firms (Palmer, 2002). Further, commitment can be measured by analysing the frequency of communication between network members (Carson et al., 2004).

Many scholars have acknowledged the role of commitment in securing successful network relationships (see, for example, Anderson & Weitz, 1992; Dwyer et al., 1987; Hadjikhani & Thilenius, 2005; Morgan & Hunt, 1994). In particular, commitment has also been cited as key factor influencing the presence of cooperation between natural resource-based producers through its effect on efficiency and effectiveness (Felzensztein & Gimmon, 2008). However, commitment can also be viewed as an outcome of successful inter-organisational relationships (Morgan & Hunt, 1994). The fact that all parties are willing to cooperate reduces the chances of any one party exiting the network.

Although there is wide agreement regarding the definition of inter-organisational commitment, there is a lack of in-depth research that has specifically examined the nature of commitment at the horizontal network level. Instead, most studies focus on the nature of commitment in dyadic relationships between buyers and sellers (Anderson & Weitz, 1992; Coote et al., 2003; Somogyi et al., 2010). Coote et al. (2003), for example, argued that trust, communication quality, conflict, and social, ethnic and economic similarity, were all antecedents of commitment in non-Western buyer-seller relationships. Testing their theory empirically with a sample of over one hundred and fifty Chinese businesses, the authors found that communication and conflict appeared to be more important predictors of commitment, than trust and similarity. Overall, encouraging two-way communication and information exchange, and avoiding conflict and criticism, can assist firms to enhance the commitment and trust levels in their relationships and networks (Coote et al., 2003). This finding is somewhat inconsistent with previous research that argues trust is the primary precursor to, and mediating variable of, inter-organisational commitment (de Ruyter, Moorman & Lemmink, 2001; Morgan & Hunt, 1994).

In all forms of inter-organisational relationships, horizontal networks included, commitment is grounded in the logic of stability and sacrifice (Anderson & Weitz, 1992; Hadjikhani & Thilenius, 2005). In the context of buyer-seller relationships, commitment implies that the parties have adopted a long-term orientation to the relationship and are willing to make short-term sacrifices for long-term gains (Dwyer et al., 1987). Conversely, the presence of commitment in horizontal networks, such as cooperative marketing associations, has been more closely linked to the development of social bonds (Palmer, 2002). Frequent social interaction which occurs between parties in an industrial network is a precursor to firms sharing information and experiences, and in doing so, they begin to adapt their processes and products to suit other members of the network (Zineldin, 2004). Over time, this behaviour evolves into commitment, which subsequently leads to higher levels of trust and a more conducive atmosphere for maintaining collaboration (Zineldin, 2004).

Levels of commitment may, however, vary between formal and informal networks and between members of the same network. In a formal business network, the firms that are more committed will generally devote more of their time and resources to fulfilling joint network activities (Bureau of Industry Economics, 1995). Similarly, commitment may be measured by analysing a firm's attendance at network meetings, and their willingness to stand for official positions of responsibility (Palmer, 2002). In informal networks, commitment may derive more from an individual's identification, affiliation, and an emotional attachment to the network (Achrol, 1997). In both formal and informal networks, firms that have similar goals and values are likely to be more committed to the relationship because their actions benefit one another directly (Achrol, 1997).

Although commitment is a well-established precursor to successful inter-organisational relationships and networks, it rarely influences inter-organisational relationships on its own. By adopting a spirit of trust *and* commitment, firms adopt a win-win approach, and in doing so, realise that it is more effective to create a 'larger pie than [to] obtain a bigger slice' (Zineldin, 2004: 783). Additionally, when both trust and commitment are present in cooperative relationships between competitors, the firms involved are more likely to share critical information and experiences with one another (Morris et al., 2007). Commitment may also be influenced by the notion of mutual benefit. For example, Amaldoss, Meyer, Raju and Rapoport (2000) found that when firms in a horizontal alliance receive equal benefit from the relationship, commitment increases at a rapid rate. This finding is consistent with research conducted by Morgan and Hunt (1994), who suggested that firms show high levels of commitment when the relationship benefits are greater, as these in turn result in the firm experiencing improved productivity, wider distribution, higher customer satisfaction and better product performance. In contrast, when a firm no longer perceives there to be a benefit associated with networking, their commitment will subside and they will most likely choose to exit the network (Palmer, 2002).

3.2.4 Mutual benefit and reciprocity

In order for firms to obtain mutual benefits from their inter-organisational relationships, they must communicate and cooperate in an atmosphere of frank debate, trust and interdependence (Zineldin, 2004). Within the IMP network approach, the first precondition for the existence of an inter-organisational relationship is mutual orientation (Easton, 1992). Mutual orientation suggests firms are not only prepared to interact with each other, but that there is also a mutual expectation that such interaction will occur (Mattsson, 1988). When mutuality is present in a network, firms focus more on the long-term benefits as a whole, rather than the individual benefits derived from each network activity or transaction (Achrol, 1997). Firms who adopt this view are, therefore, more likely to sacrifice short-term gains in favour of achieving network goals and long-term payoff (Achrol, 1997).

Although not receiving quite the same attention in the industrial marketing literature as trust and commitment, mutual benefit is important to the success of network relationships. It is widely acknowledged that any firm which chooses to pursue cooperative relationships, even with their competitors, will have the opportunity to combine their resources and capabilities so to allow them to compete more effectively in the market (Amaldoss et al., 2000; Håkansson & Ford, 2002; Morris et al., 2007). However, the benefits that derive from these cooperative relationships are influenced, to some degree, by the size of the firms involved. According to research by Gomes-Casseres (1997), rivalry is more intense, and therefore cooperation is limited, when the network involves firms that are of equal size and perform similar functions. Moreover, when competitive rivalry is intense or high in a network, mutual benefit is reduced (Morris et al., 2007). In relation to small firms, cooperative arrangements are thought to be more effective when the benefits exceed both the financial and non-financial costs of participating (Buttery & Buttery, 1994).

Related to the notion of mutual benefit is the concept of network reciprocity. Firms engaged in reciprocal exchange are more likely to access resources or share information because they feel confident that the receiving party will repay them with something of similar value (Coleman, 1988). In simple terms, reciprocity relates to the notion of ‚give and take’. The success rate of collaborative arrangements is increased when one firm offers something that another firm lacks, and therefore a reciprocal arrangement is created (Buttery & Buttery, 1994). A reciprocal orientation is also considered an important precursor to the development of trust in a business network (Sweeting, 2005).

3.2.5 Communication

A further antecedent of successful inter-organisational relationships is open and frequent communication. Although not a psychological state, open communication between network firms is closely related to the concepts of trust, commitment and social bonds. In a buyer-seller relationship sense, Anderson and Narus (1990: 44) define communication as ‚the formal as well as informal sharing of meaningful and timely information between firms’. Communication acts as an indirect antecedent to successful network relationships primarily through its association with trust (Morgan & Hunt, 1994; Somogyi et al., 2010). This correlation, however, works in both directions. Some authors, for example, argue that communication is a precursor of trusting relationships (Anderson & Narus, 1990; Morgan & Hunt, 1994), while others suggest trust must be present before open and effective communication takes place (Dwyer et al., 1987).

Whichever the situation, communication enhances network relationships in a number of other ways. For example, communication provides firms with an opportunity to share their goals, resolve any differences, and coordinate their individual efforts and activities (Whipple et al., 2010). Communication has also been cited as a means of resolving conflict within networks (Anderson & Weitz, 1992), and improving inter-organisational relationship performance and satisfaction (Whipple et al., 2010). Generally, the more

frequently network firms communicate, the more quality information they share, and the more satisfied they become.

This link between communication and information sharing represents a fairly dominant theme in the network literature. Palmer (2002), for example, stated that without an agreed and consistently-executed system for collecting and sharing information, knowledge inequality could accrue within networks, which may be enough to cause some firms to withdraw altogether (Palmer, 2002). This supports more recent research which found that firms should openly communicate and clarify their different ideas, expectations, and goals through formal *and* informal discussion (Tidström & Åhman, 2006). Welch et al. (1998) also found that informal networks of small firms developed more readily via regular formal discussion between all members of the network (i.e. meetings).

3.2.6 Leadership

The final factor thought to enhance network relationships is leadership. The role of network leadership is closely related to the notions of network centrality and network hierarchy. Network centrality refers to the degree to which a firm exerts power and influence over the network (Williams, 2005). Vertical networks, for example, tend to be based around a focal manufacturer or distributor, and hence, these firms tend to dominate and control the decision making and allocation of resources.

If a network exhibits high network centrality, firms outside of the leadership group have less of a chance to exercise their autonomy because they have little influence over decision making (Williams, 2005). Accordingly, the network is thought to become less effective and less innovative (Håkansson & Ford, 2002). Some authors however, argue that network centrality is a precondition of network effectiveness, because leadership is vital for bringing network firms together and coordinating network activities (Alter & Hage, 1993).

When a business network comprises relationships between competing firms, an external network facilitator or convenor can enhance the likelihood of collaboration and, therefore, improve the chances of network success (Fyall & Garrod, 2005; Palmer & Bejou, 1995). External facilitators or convenors, through their authority and status, can play an important role in bringing interrelated firms together (Palmer & Bejou, 1995). Additionally, external knowledge brokers can provide what is perceived as „independent’ advice to network firms, which helps to create a climate of trust (Hall, 2004). External facilitators can be individual people or an associated firm. In some cases, collaborative networks appoint an external facilitator to convene a group of firms and their activities, while in others, a leader, or network champion, may emerge from within the membership base (Fyall & Garrod, 2005; Hall, 2004).

Many government agencies and individual representatives have also assumed the role of network leader or external facilitator, and as such, they have an important role in organising and hosting networking activities (Morris, Bessant & Barnes, 2006; Palmer & Bejou, 1995; Welch et al., 1998). This is largely due to individual network firms having their own vested interests, which, unless managed, can negatively affect the network’s functioning (Welch et al., 1998). Moreover, Morris et al. (2006) found that financial and institutional support from external government and policy agents is useful when the network is still establishing itself, and the actors are unsure as to what benefits the network will provide. Once the network has progressed past these initial stages, a network’s actual development should emanate from the members themselves (Welch et al., 1998).

3.3 Chapter summary

This chapter has outlined the most important factors that underpin successful network relationships. Within the industrial marketing and management literature, trust, commitment and mutual benefit appear frequently. In fact, some authors have even argued that trust is an essential component of network relationships, rather than simply an

antecedent (Brito & Costa e Silva, 2009). In the foregoing discussion, trust was highlighted as being particularly important to horizontal network relationships because of the underlying feelings of competition, and because of its relationship to open information sharing. Other factors such as leadership and frequent communication have been found to provide a solid foundation for horizontal networks overcoming any differences and conflict. Overall, this chapter has concluded that the aforementioned factors support the notion that successful network relationships are grounded in social constructs, which subsequently determine the amount of mutual benefit and longevity.

CHAPTER FOUR

COLLABORATIVE MARKETING AND HORIZONTAL NETWORKS

4.1 Introduction

This chapter adds to the body of network literature previously reviewed in order to contextualise the more specific focus on collaborative marketing. It opens with a discussion of the reasons why networking and collaboration offer SMEs superior benefit and opportunities. Chapter One noted that SMEs face a number of unique challenges and resource constraints that impede their marketing expertise, and their ability to pursue certain marketing strategies. Formal collaboration within networks is seen as a way to overcome many of these issues, and achieve things SMEs could never do by working alone. This chapter, therefore, reviews the theory and research related to collaborating and networking for marketing purposes. The various definitions of cooperative marketing are also reviewed, with the aim of clarifying what constitutes collaborative marketing in the context of horizontal networks.

The final half of this chapter reviews the reasons why firms enter business networks and why many business networks eventually fail. In particular, the unique characteristics of horizontal networks (as depicted in Chapter Two) create a number of complexities that must be managed in order to achieve the network's collaborative marketing objectives. If such issues are left unattended, horizontal networks may be overrun by conflict and opportunistic behaviour.

4.2 SMEs and the benefits of networking

It is common knowledge that SMEs play a significant role in many of the world's national economies through their contribution to employment, export markets, gross

domestic product (GDP), and innovation. In Australia, small firms employing fewer than twenty people represent ninety-six per cent of all businesses (Council of Small Business of Australia, 2010). The sector employs around four million people, and in 2001, contributed around forty-six per cent of the value of Australia's GDP (Australian Bureau of Statistics, 2001). In the United Kingdom, 3.7 million SMEs account for approximately forty per cent of the national GDP, and have an annual turnover of approximately one trillion pounds (Performance and Innovation Unit, 2010). But despite their prevalence, SMEs face a number of challenges in the business environment, not the least of which is their larger than normal amount of risk and fragility. SMEs are characterised by substantial human and financial resource constraints, which in turn limit their understanding and experience of marketing and strategic management (Carson & Gilmore, 2000; O'Donnell, 2004). Compared to their larger counterparts, smaller firms are also more vulnerable to environmental forces because of their tendency to rely on a niche customer base (Moriarty, Jones, Rowley & Kupiec-Teahan, 2008), and their relatively limited market presence. Furthermore, at the early stages of development, the owner/manager of a small firm is often incognisant of the demands of running a successful business, and is more likely to make a number of mistakes (Morris et al., 2007). On the upside, small firms are suited to inter-organisational collaboration because they are less constrained by the hierarchical structure, controls, and formal policies that are associated with most large businesses (Morris et al., 2007). Moreover, the risks of engaging in inter-organisational collaboration and information sharing are less for the small firm, because the consequences of antitrust violations are assumed to be greater for larger firms (Butler et al., 1990).

The aforementioned discussion offers some background knowledge to why SMEs approach marketing differently from larger organisations. Within the small firm literature, a common finding is that SMEs tend to adopt an informal approach to marketing, or are, at the very least, challenged by a lack of marketing expertise and almost non-existent marketing budgets (Carson & McCartan-Quinn, 1995). Marketing is often perceived as unnecessary and too costly; both financially and in terms of management's time (Foley & Green, 1989). Characteristics like these have been cited as one of the main causes of

failure in the SME sector (Fuller, 1994; Gadenne, 1994). However, a wide range of recent research has consistently found that inter-organisational relationships and networks offer SMEs valuable opportunities to enhance their marketing strategies, and improve their performance (BarNir & Smith, 2002; Beverland & Lindgreen, 2001; Carson et al., 2004; Donckels & Lambrecht, 1997; Gnyawali & Park, 2009; Morris et al., 2007; Palmer, 2002). In particular, joint marketing and joint research and development opportunities can make SMEs more competitive in international markets, and assist them with creating new products and processes (Henriksen, 1995). Strategic alliances have also been found to help SMEs to enhance their marketing capabilities, outmatch stronger competitors, gain entry into new markets, and obtain access to external resources (BarNir & Smith, 2002).

From an industry perspective, past estimates suggest that a minimum of thirty-seven per cent of all Australian SMEs improve their understanding of markets through business cooperation and networking (Bureau of Industry Economics, 1995). Other industry research supports these findings, and, in addition, argues that networks are more valuable to SMEs in the formative stages of establishing their business (Buttery & Buttery, 1994). This relates to the aforementioned notion that smaller sized firms are vulnerable to environmental impacts and changes. Networks can, however, provide SMEs with a more resilient structure, as well as a number of opportunities to achieve competitive advantages (Buttery & Buttery, 1994). Further, networking can provide SMEs with the ability and confidence to overcome problems with economies of scale, through jointly pursuing activity in the areas of production, marketing, purchasing, research and development, and new market entry (Buttery & Buttery 1994). Networking initiatives have also been found to assist SMEs through the organisational learning opportunities they provide (Rosenfeld, 1996). Through interacting with other actors on a regular basis, SMEs engage in informal learning and observation, from which improvements to their own operations and marketing practices can be made (Rosenfeld, 1996).

As already highlighted, key examples of horizontal networks with a formal structure include industry bodies and regional associations, which offer a useful forum for firms to share information and keep abreast of changes and developments in the industry and

practice. In their study of how small firm owner/managers network, O'Donnell and Cummins (1999) found that most of the horizontal networking between small firms and their competitors is initiated through their membership of industry associations. In fact, often the most valuable information sharing, and hence, organisational learning, occurs during the informal, social gatherings organised by an industry association rather than their formal meetings (O'Donnell & Cummins, 1999). A prior study by Curran and Blackburn (1994) supported this claim, by concluding that an owner/manager's informal relationships, including those with family and friends, are probably the most important source of information and advice for small firms. Recent research by Morris et al. (2007) showed that SMEs benefit from collaborating with competitors by way of economies of scale, reduced risk, and the ability to leverage resources.

Overall, uncertain times and increased competition have made networking a viable option for many businesses, not just those that are small in size (Donckels & Lambrecht, 1997). Under such circumstances, networking, even with competitors, may actually represent a viable strategy, given the opportunities for resource sharing and the propensity to lower risk and environmental uncertainty (Morris et al., 2007). SMEs do, however, need to be strategic in their approach to inter-organisational collaboration, as a large portion of SME networks and relationships often fail (Gnyawali & Park, 2009). High failure rates have been linked to the high costs of innovation for SMEs and their lack of resources, both of which imply that they are especially vulnerable to environmental disruptions (Moriarty et al., 2008; Parker, 2000). Still, in many industry sectors, the networking opportunities and assistance facilitated by industry associations and government has been found to improve the performance of SMEs (Zeffane, 1995).

Despite the empirical evidence of the value SMEs can obtain through formal networks, much of the literature on inter-organisational collaboration has focused on larger firms, and has a distinct international flavour (Morris et al., 2007). Research into horizontal collaboration between firms has increased during the past decade; however, it is primarily conceptual, or based on data which has been collected for a range of purposes. Thus, further in-depth study of the drivers and consequences of horizontal networking and

collaboration between SMEs is needed (Gnyawali & Park, 2009; Palmer, 2002). The contribution SMEs make to the Australian economy, together with their marketing deficiencies, reinforces the need for research that specifically examines the implications of collaboration for marketing purposes. Fulfilling this need within the context of the wine industry also goes some way to addressing the inattention that many small wine producers and managers give to marketing (Beverland, 2000; Hall & Winchester, 1999; Sims & Demediuk, 2003; Spawton, 1989).

4.3 Defining collaborative marketing

Despite the paradigmatic shifts towards a more relational approach to inter-organisational exchange, competition remains a key component of most market-driven economies (Fyall & Garrod, 2005). Even the basic marketing concept suggests that organisations should determine the needs and wants of their target consumers, and deliver solutions to these problems more efficiently and effectively than their competitors (Kotler & Keller, 2006). If the fundamental notion of marketing rests on a firm's ability to produce goods and services better than others, why would firms choose to enter collaborative arrangements with their competitors? Answers to this question will be explored in the context of what is a relatively new field of marketing. „Co-marketing’ „cooperative marketing’, or „collaborative marketing’ as it is referred to here, is generally defined as marketing pursued by two or more firms for the purpose of achieving mutual objectives and benefit. In this regard, collaborative marketing normally involves firms from a single industry sector working together for the purposes of producing joint promotional material or agreeing to represent one another at industry exhibitions and events (Palmer & Bejou, 1995).

The process and outcomes of collaboration in business partnerships and networks has been of significant interest to marketing academics and practitioners for a number of years (Dyer & Singh, 1998; March & Wilkinson, 2009). This is partly due to the notion of „collaborative advantage’ as being a key source of organisational competitive

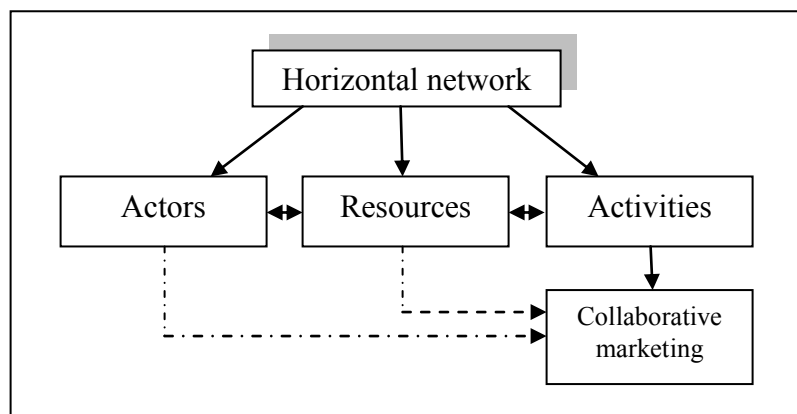
advantage (March & Wilkinson, 2009). Collaborative advantage derives from an understanding that two or more organisations can collectively achieve more than the sum of each individual's own efforts (Anderson & Narus, 1990). Tourism and agricultural industries, in particular, lend themselves to collaborative advantage because they comprise multiple firms, many of which are SMEs (Fyall & Garrod, 2005). Furthermore, tourism destinations are increasingly using cooperative marketing strategies to increase the overall visitor numbers and reputation of the region (Dwyer, 2003; Hill & Shaw, 1995). Farmers, for example, have also worked together in cooperative marketing arrangements for many years, and traditionally, these have outnumbered the individual profit-seeking firms in this sector (Youde & Helmberger, 1966). Many wine businesses have also formed vertical and horizontal partnerships to assist with the production and distribution of their products. As previously highlighted, industry associations at a state or regional level are primary examples of horizontal networks, while nation-wide distribution channels comprise cooperative relationships in a vertical form. These collaborative arrangements are, however, not limited to firms within the same geographic boundaries. Wine businesses, for example, may join industry associations and distribution networks on a national and international scale, which have also been found to assist the firms involved with their marketing strategies (March & Wilkinson, 2009).

Although the concepts of collaboration and marketing have appeared simultaneously in previous literature, references to the concepts have largely been from an industrial or relationship marketing perspective. Only recently have researchers adopted a more specific focus on defining what exactly constitutes collaborative marketing activity, and why this form of network activity is particularly suited to SMEs (Dieke & Karamustafa, 2000; Morrison, 1998; Palmer, 2002). Within the literature, some reference to the terms 'cooperative marketing', 'joint marketing', and 'joint branding' can be found. However, much of this work is based on joint marketing arrangements between buyers and sellers, or strategic alliances between two firms. One of the earliest references to collaborative marketing was made by Ballantine (1923), who broadly defined it as the activities pursued by cooperative marketing associations during the great agricultural depression in the United States of America. Within Australia, recent research supports a rise of

collaborative marketing between private and public sector networks in many regional areas (March & Wilkinson, 2009). However, to date, no theoretical framework which accounts for the phenomenon of collaborative marketing within a horizontal network context exists. Furthermore, little attention had been paid to understanding why some horizontal networks are more likely to pursue collaborative marketing than others (Palmer, 2002).

In this thesis, collaborative marketing is defined as formal interaction between a group of firms, whereby each firm adds to its marketing competencies and strategies by pursuing joint activity and objectives related to their shared organisational domain. This thesis, therefore, adopts the view that collaborative marketing is a type of activity pursued by businesses joined together in a network arrangement. In this regard, the process and outcomes of collaborative marketing activity are influenced by the nature of interaction and bonds between the network's actors, and the network's resources. The theoretical connections this thesis draws between the interaction approach to network theory and collaborative marketing are illustrated in Figure 4.1.

Figure 4.1 An exploratory framework for the thesis

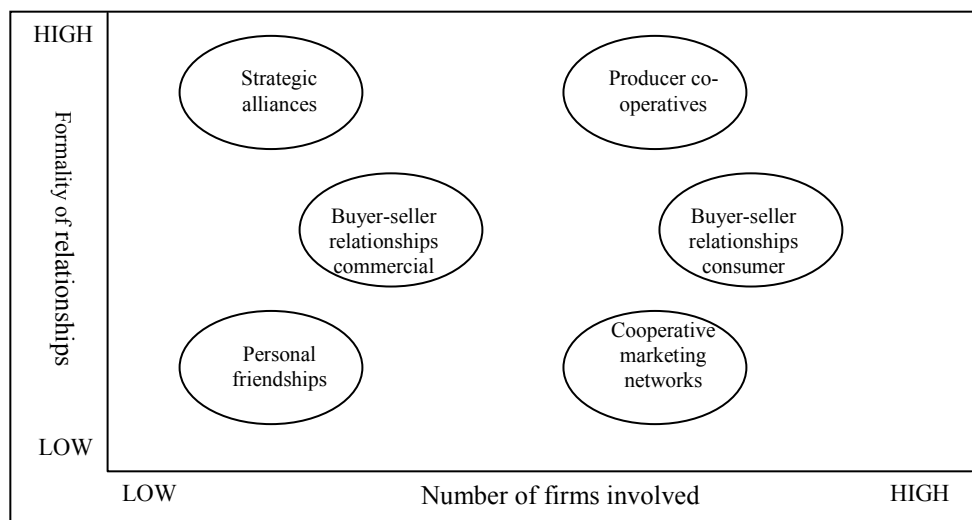


Despite examples of collaborative marketing being present in many of the world's wine regions, relatively little academic research has been conducted in this area. This may be because collaborative marketing among networks of smaller organisations raises a

number of challenges related to balancing competition and cooperation, and public policy (Palmer et al., 2000). At the public policy level, governments must balance the potential benefits of collaborative marketing with the possibility of anti-competitive practices that may restrict consumer choice.

Tourism and agricultural researchers are among a small group of academics that have explored collaborative marketing as it relates to business networks. Within the tourism industry, businesses engaged in collaborative marketing networks form relationships ranging from loosely connected to very formal and integrated (Wang, 2008). Adrian Palmer and his colleagues have conducted extensive work in relation to tourism networks in the United Kingdom and Ireland (Palmer, 2002; Palmer et al., 2000; Palmer & Bejou, 1995), in which they define cooperative marketing networks as relatively informal inter-organisational relationships involving a number of firms (see Figure 4.2 below). Firms participating in these loosely formed cooperative marketing networks have no financial interdependence. This is in contrast to a more integrated marketing network, which requires actors to invest heavily and create mutual dependencies (Palmer & Bejou, 1995). Other researchers have also defined collaborative marketing as a more formal and enduring type of inter-organisational relationship, in which case firms cooperate on the basis of the traditional marketing mix elements, and use their synergy to influence their chances of survival (Dickinson & Ramasesham, 2003).

Figure 4.2 A visual representation of cooperative arrangements



Source: Adapted from Palmer (2002)

4.4 Collaborative marketing and horizontal networks

As previously noted, a large portion of the empirical work on collaborative networks is grounded in vertical relationships or formal alliances between large firms. In comparison, there has been far less consideration of the benefits derived from cooperative marketing strategies among organisations that are at the same point in the supply chain, or same position within an industry (Bucklin & Sengupta, 1993; Nielsen, 1987; Palmer & Bejou, 1995; Palmer et al., 2000). This lack of understanding may be, in part, due to the complexities of the phenomenon. For instance, cooperation between competitors is generally perceived as being more futile than cooperation between a firm and its buyers or suppliers. Furthermore, simultaneous collaboration and competition, or co-opetition as it was referred to earlier, may be in breach of antitrust legislation (Strutton, Herndon & Pelton, 2001), and thus a number of firms may be unwilling to take this risk. However, as was shown in the section above, small firms can benefit from participating in collaborative marketing at a network level through greater access to marketing resources and knowledge, and greater economies of scale.

In his study of cooperative marketing, Felzensztein (2008) examined the nature and outcomes of clusters, social networking, and collaboration among small salmon producers in Chile and Scotland. Overall, the research indicated that social networking activities and informal relationships were a more effective facilitator of collaborative marketing than geographic proximity between firms. A possible explanation for this relates to role of the owner/manager in the small firm, and their tendency to rely more on personal networks for access to resources. Additionally, many of the firms Felzensztein (2008) interviewed commented that the Internet and technology had changed the traditional rules of geography.

Among the network antecedents studied, Felzensztein (2008) argued that trust, commitment and regular communication were important for facilitating collaborative marketing. Differences between firms located in Chile and Scotland were also noted in terms of their involvement in trade associations, and their reliance on these associations

for marketing activities. Scottish producers, for example, were found to be much more involved in formal networks, which led to greater opportunities for collaborative marketing at a horizontal level. The study's findings also imply that the necessity and intensity of collaborative marketing is likely to vary between the specific regions of certain countries. In view of this, Felzensztein (2008) concluded that rural or remote regions within a country may have a more collective business culture, and therefore, should be the focus of further research in the collaborative marketing arena.

In a follow up paper, Felzensztein and Gimmon (2009) found that if a producer discussed their individual marketing activities with others in their network, they only did so at informal meetings or social gatherings. One of the main reasons for this was that many of the companies surveyed did not feel comfortable discussing their marketing strategies with firms located in the same industry, because feelings of competition were stronger than cooperation (Felzensztein & Gimmon, 2009). Although these findings offer insight into the nature of collaborative marketing within other agribusiness sectors, Felzensztein and Gimmon's (2009) work is specific to the Latin American and European salmon industries. Hence, their findings are not necessarily generalisable to an Australian wine industry context. In addition, the authors used industrial cluster theory as a framework, rather than network theory, of which the latter has emerged from a more marketing-specific domain.

Somewhat more closely related to the wine industry is the range of research reporting on the presence of collaborative marketing in the tourism sector. Palmer et al. (2000), for example, emphasised the importance of leadership and other social objectives in their study of collaborative marketing associations in Ireland's tourism industry. Leadership was essential for coordinating collaborative activity, accommodating individual characteristics and interests, and obtaining high levels of commitment from the group (Palmer et al., 2000). In addition, as the collaborative marketing associations matured, the member's initial networking objectives were replaced with more socially oriented reasons for staying in a network (Palmer et al., 2000). Although the authors offer insight into the dynamics of horizontal networks when used for marketing purposes, the research sample

comprised members of cooperative marketing networks that were involved in marketing tourism destinations. In which case, their ‚product’ is much more indeterminate than that of wine.

In other work, Morrison (1998) also studied the benefits of cooperative marketing from a tourism perspective. Certain challenges confronted by a Scottish tourism destination, had driven small hotels in the region to adopt affiliation and co-operative practices (Morrison, 1998). In particular, SMEs in this sector could add to their marketing competencies and strategy by combining some of their resources with others for mutual benefit (Morrison, 1998). Joining the local hotel consortium was also found to provide SMEs with economies of scale, education and training support, and pooled financial resources (Morrison, 1998). Overall, Morrison’s (1998) case study highlights the complex nature of intra-industry networks and the challenges of balancing small firm interests with the collective interests of the region.

In a similar study, Dieke and Karamustafa (2000) examined the concept of cooperative marketing as it relates to SMEs in the Southeastern Mediterranean accommodation sub-sector. Following the lead of Rosenbloom (1999 cited in Dieke & Karamustafa, 2000) the authors defined collaborative marketing as the process by which two or more firms make a commitment to combine and utilise their resources (e.g. equipment, labour, and capital), and to share the costs associated with addressing the resource constraints, environmental uncertainty, and external pressures confronting their industry. In the context of a specific hotel industry in a defined geographic area, Dieke and Karamustafa (2000) suggested that SME hotel firms should consider forming horizontal networks and coordinate their marketing strategies in the areas of product development, sales promotion, pricing, and distribution. The general implications of such cooperative marketing activity are that small and medium-sized hotels (SMHs) could harvest economies of scale, and share their knowledge of the market. In turn, these strategies would grant SMHs greater flexibility and survival techniques (Dieke & Karamustafa, 2000). Although Dieke and Karamustafa’s (2000) paper does provide some insight into the nature of collaborative marketing between SMHs, and what constitutes collaborative marketing, its findings are

restricted to a specific sector of the tourism industry, and a certain geographic area. Moreover, Dieke and Karamustafa's (2000) work was based on secondary data provided by the local tourism associations and organisations, rather than the first hand experiences of firms involved in the cooperative marketing activities.

From an Australian perspective, Dickinson and Ramasesham (2003) studied the cooperative marketing practices of SMEs across a cross-section of industries, including viticulture. A quantitative survey with four hundred and nine Australian businesses revealed that cooperative promotion was the most widely practiced type of cooperative marketing (Dickinson & Ramasesham, 2004; 2008). Some Australian SMEs were also found to collaborate for research, product development, labelling, and branding purposes. More specifically, networks of SMEs often collaborated in the development of augmented products, such as warranties, delivery, and after-sales service, while cooperative bundling was used by SMEs with complementary product offerings (Dickinson & Ramaseshan, 2008). „Piggybacking' into international markets, cross-distribution into agreed areas, cooperative warehousing and inventory control, and electronic distribution strategies via the Internet constituted additional collaborative marketing strategies used by some Australian SMEs (Dickinson & Ramaseshan, 2008). In conclusion, Dickinson and Ramaseshan (2004) stated that co-product, co-promotion, co-distribution and co-branding strategies are ideal for firms operating in intense industries where there is high potential for growth and high entry requirements. As highlighted in Chapter One, the Tasmanian wine industry is currently undergoing a period of expansion. Given the high cost structures and complexity associated with growing grapes in a cool climate, one could also deduce that entry requirements are high.

Overall, Dickinson and Ramaseshan's research (2003; 2004; 2008) offers strong evidence that there is a range of collaborative marketing activities present within the broad Australian SME sector. In testing their propositions, the authors found that cooperative product development and bundling were the most popular, while cooperative events management recorded the lowest level of collaboration. Cooperative pricing is rare because of its direct link to profitability, and the potential for price collusion to disrupt an

environment of healthy competition. Regarding the main antecedents of collaboration between firms, Dickinson and Ramaseshan (2003; 2004; 2008) found evidence for the following: partner match, commitment, small firm size, low resource base, and inferior experience and marketing competencies.

Although Dickinson and Ramaseshan's (2003; 2004; 2008) comprehensive research provides valuable insight into the types of collaborative marketing used by Australian SMEs, and how these firms can maximise their performance from such strategies, their findings are not specific to the wine industry. Furthermore, their use of structured questionnaires suggests that further research of a qualitative nature would assist in drawing a more comprehensive picture of collaborative marketing activity.

From an even broader perspective, authors such as Bucklin and Sengupta (1993) and Varadarajan (1986), have also carried out research on the nature of collaborative marketing within horizontal alliances and networks. Varadarajan (1986) examined horizontal cooperative sales promotion, with the aim of developing a framework for its classification. Through discussions with ten sales promotion executives, Varadarajan (1986) concluded that cooperative sales promotion could enable firms to promote new uses for their product, broaden their customer base, neutralise the sales promotion efforts of competitors, increase sales, and increase consumer exposure to their brand. Varadarajan's (1986) work is, however, limited by its narrow focus on sales promotion, and its exploratory methodology. Similarly, Bucklin and Sengupta (1993) studied the nature of collaborative marketing in strategic alliances, which as previously highlighted; involve two firms in a formal partnership, rather than a network of volunteer firms. Overall, what these studies do demonstrate is that collaborative marketing arrangements should extend the traditional marketing mix, and that firms can simultaneously collaborate in a range of marketing areas, while also pursuing joint research and development and production initiatives.

Some authors have explored the benefits and nature of collaborative marketing; however, very few have empirically tested what factors affect the effectiveness of collaborative

marketing activities between competing businesses. Previous evidence suggests that the most appropriate environment for network creation is when firms share homogeneous resources (Dean et al., 1997). In particular, when firms rely on similar sources of information technology, equipment, raw materials and labour, or they face similar issues with distribution and marketing, the opportunities for networking are more abundant (Dean et al., 1997). In addition to resource similarity, the perceived value of collaborative marketing is also related to the number of organisations involved. As more firms become involved in collaborative marketing, decision making becomes more complex and time consuming (Dieke & Karamustafa, 2000), and reaching consensus becomes very difficult (Nieslen, 1987). This can complicate the network arrangement even further when each party has conflicting plans and goals regarding the outcomes of the collaborative venture (Dieke & Karamustafa, 2000). Moreover, when the number of firms in a network increases at a faster rate than the benefits to be shared, the network runs the risk of disbanding, because the balance of mutual gains has been destroyed (Nielsen, 1987). If member accumulation is encouraged, networks should ensure all new members contribute something unique to the group, and their interests and gains are balanced with those of other firms already involved in the network.

In his study of cooperative marketing networks in the United Kingdom tourism industry, Palmer (2002) paid particular attention to the factors that drove the success of collaborative marketing activity. Using a combination of quantitative and qualitative methods, Palmer (2002) consulted a sample of members and senior officers from thirteen cooperative tourism marketing associations. A key assumption of his work was that by cooperating, the owners/managers of tourism firms could achieve a collaborative advantage for their region. The success of their collaborative marketing efforts was, however, influenced by the degree of member commitment, similarity, reciprocity and network governance (Palmer, 2002). The most effective marketing networks were those with a formal governance style, high actor commitment, and a diverse membership (Palmer, 2002). Although Palmer's (2002) research goes some way in understanding the unique nature of inter-competitor collaboration for marketing purposes, the study was again based on tourism firms, and in a region unlike that of the current research.

Furthermore, the focus was on informal cooperative marketing associations where the members were joined together by weak structural links (Palmer, 2002). In contrast, anecdotal evidence suggests that Tasmanian wine producers have strong structural and social bonds with each other.

In more recent research, Wang and Krakover (2008) and Wang and Fesenmaier (2007) have explored the nature of destination marketing among tourism industry stakeholders. Again, data were collected from staff members and industry representatives involved in destination marketing associations. In their latest work, Wang and Krakover (2008) found that the relationships among tourism stakeholders range from simple affiliation, to strategic networks. The following factors were also found to nurture an environment more conducive to destination marketing: strategic thinking, locality of the marketing campaign, maturity of the marketing approach, and leadership of the local destination marketing organisation (Wang & Krakover, 2008). This confirms the findings of earlier research, in which leadership was shown to play an important role in facilitating collaborative marketing activity (Hall, 2004; Palmer, 2002). However, in the context of the Elkhart County in Indiana, leadership was provided by the local destination marketing organisation, rather than from within the networks themselves (Wang & Krakover, 2008). This meant the main focus of the research was the role of the local Convention and Visitor Bureau, and specifically how it managed the balance of cooperation and competition among local tourism operators so as to create win-win relationships and value creation for the entire destination (Wang & Krakover, 2008). In this context, the findings relate more to the leadership role of external organisations and government, rather than the relationships between the network members themselves.

From a review of the literature, one of the key challenges of collaborative marketing in networks is the inability to exclude individual firms that are not members from receiving some portion of the mutual benefit obtained (Palmer, 2002; Palmer, Barrett & Ponsonby, 2000; Rosenfeld, 2005). In other words, firms that are not members of the local industry association may still enjoy the benefits of any generic promotion undertaken by this network without incurring any of the associated costs, such as membership levies. Firms

that fit into this category are colloquially known as „freeloaders’ (Palmer, 2002; Rosenfeld, 2005). While formal marketing alliances may be able to exclude freeloaders, the larger, and typically less formal, industry associations are continually confronted with this challenge (Palmer, 2002).

4.5 Why firms join business networks

From Chapter Two, an important development in the industrial network literature has been the move away from networks being studied as a mid-point between free markets and a hierarchy, to a position in which firms seek out business networks as a means of achieving collaborative advantage. This is partnered with the idea that firms cannot just manage their behaviour within networks, but can also strategically manage the mix of relationships in which they are involved. A review of the marketing and management literature suggests firms enter into formal and informal networks for a multitude of reasons. To broadly paraphrase this literature, firms enter into horizontal networks for the purpose of pursuing common goals or mutual interests (Oliver, 1990; Stern, 1971).

According to Zineldin (2004), a collaborative relationship over the long-term should produce a range of benefits to the firms involved, including economies of scale, lower transaction costs, access to a skilled labour force, high levels of research and development, access to superior technology, entry into new markets, greater customer value, and improved profits for all involved. Through sharing resources, networks provide firms with the opportunity to not only enhance their individual performance, but also to achieve the collective goals of the network and improve the industry as a whole (Gnyawali & Madhavan, 2001; Peters et al., 2010; Rosenfeld, 2005). When the collective efforts of firms result in the fulfilment of the network’s objectives, strong feelings of „chemistry’ and compatibility arise. In turn, these experiences can lead to feelings of enhanced satisfaction (Anderson & Narus, 1990). A reciprocal culture also offers superior benefits to those attainable in networks characterised by domination, power and control (Oliver, 1990).

For most firms, their initial motivation for entering a formal network may be based on economic reasons, such as economies of scale, resource efficiency, risk sharing, and access to equipment. However, as a firm becomes more involved in a network over time, these benefits generally evolve to be more strategic and intangible. Examples of the latter may include organisational learning, gaining entry into new markets, and obtaining political advantage through lobbying and industry development (Arino et al., 2001; Peters et al., 2010). Business networks also provide organisations with access to new resources, specific industry information, and technological know-how in practice (Cunningham, 2007). This theory is supported by a recent Australian study, which found that SME owner managers were particularly motivated to join networks because of the potential to learn about marketing opportunities (Brunetto & Farr-Wharton, 2007). Others have studied the benefits of formal networks in comparison to less structured industry associations or clusters. Rosenfeld (2005), for example, found that firms join horizontal networks for more commercial and strategic reasons because they provide the opportunity to produce more complex goods and services, extend their markets outwards, and acquire resources and services that would otherwise be too costly on their own. In addition, research by Dean et al. (1997) found that sales expansion, industry recognition, and sustainable growth opportunities were the most common reasons SMEs became involved in formal business networks.

Despite the benefits firms can derive from joining networks and networking, facilitating these opportunities requires time, effort and often financial investment (Arino et al., 2001). As such, a critical question becomes how can one judge what networks are the most valuable and deserving of their time, energy and resources? By way of addressing this query, firms should consider some of the main reasons why networks fail, and accordingly, try to avoid these issues when forming networks and relationships of their own.

4.6 Why business networks sometimes fail

Although this chapter has already established that inter-organisational relationships and business networks can provide firms with substantial benefit, they are rarely problem-free (Håkansson & Ford, 2002; Zineldin, 2004). Reportedly, around two-thirds of collaborative ventures have serious problems in their first two years, and as many as seventy per cent eventually fail (Hanson, Dowling, Hitt, Ireland & Hoskisson, 2008). Many of the problems associated with inter-organisational collaboration derive from the reluctance of firms to make a long-term commitment and set aside their own self-interests (Dieke & Karamustafa, 2000). Problems also arise when the companies involved do not want to forgo their autonomy and independence (Henriksen, 1995; Williams, 2005; Zineldin, 2004). In particular, Tidström (2009) found that firms in horizontal networks find it difficult to surrender their „own way of doing things’ in favour of what the network desires.

Inherent in any inter-organisational relationship is the tension between conflict and cooperation (Cova et al., 2010). While Chapter Two demonstrated that inter-organisational relationships vary along a continuum from weak to strong, they also exhibit different combinations of conflict and cooperation. Thus, some relationships may be more adversarial than they are collaborative (Tidström, 2009). If competition centres on a fight for resources or market share, Stern (1971) suggests that conflict is grounded in a more personal fight between opponents. Conflict may also arise after one or more firms question if they are receiving an equitable share of the relationship’s benefits (Easton, 1992). Conflict also manifests itself in terms of incompatible goals, values, organisational domains, and responsibility (Achrol, 1997). In more specific cases, conflict has been found to be linked with incompatible perceptions of the proper way to run a business (Tidström, 2009). Overall, conflict is common to business networks where there is greater incompatibility between firm expectations (Geersbro & Ritter, 2010).

In horizontal networks, it is only natural that some conflict occurs given the close similarity in the members’ resources, strategies, and markets (Tidström & Åhman, 2006).

However, the literature suggests that social factors, rather than organisational or commercial barriers, may be more likely to lead to conflict surfacing in horizontal networks. This makes sense given that horizontal networks are based on non-economic exchange, and because commercial problems are often the same for each of the firms involved (Henriksen, 1995). Also, the simple fact that horizontal network members produce the same product and target the same customer may be more likely to lead to more social and personal forms of conflict.

While the diversity and number of members may be an indication of a network's growing strength and success, increasing size may cause conflict and create new challenges for coordinating operations because more individuals must now be consulted (Gomes-Casseres, 1994). This view is supported by Human and Provan (1997), who found that as a network's membership increases, it becomes more difficult to reach consensus and coordinate the network's activities. In contrast, increasing the number of firms involved in a network can increase the legitimacy of the network, which in turn simplifies the financing of network activities (Andresen et al., 2009).

A recent conceptual paper by Geersbro and Ritter (2010) posited that uncertainty, ambiguity and conflict were the main reasons why business networks may hinder, rather than enhance, a company's performance. Ambiguity is generally more prevalent in larger networks, where it is difficult for firms to specify their expectations (Geersbro & Ritter, 2010). Additionally, because the boundaries of larger networks are more difficult to define, there is likely to be uncertainty at both the individual firm and collective level about what environmental changes may impact on the network (Geersbro & Ritter, 2010). Uncertainty is closely related to issues of role conflict and stress within networks, whereby the representatives of each firm are unsure of exactly what their role in the network should be, or their responsibilities and obligations (Bengtsson & Kock, 2003; Nygaard & Dahlstrom, 2002). Firms can also feel uncertain about their investment in a network (Zineldin, 2004).

Incompatibility and conflict may also derive from other areas within a business, not just those related to organisational domain or internal company policy. For example, when firms are at different levels of maturity, they are more likely to have divergent views on what constitutes a close and beneficial relationship (Peters et al., 2010). Furthermore, the size of the firms involved can also be an issue, because of the incompatibility between the marketing budgets of small and large firms (Neves, 2007). Problems also emerge when owners and managers from different corporate cultures engage in formal networks (Henriksen, 1995). In this regard, the social norms and language that are unique to each individual firm may come into conflict, which can subsequently cause individual representatives to be offended (Henriksen, 1995). In overcoming these issues, networks should consider setting membership criteria, nominating an impartial coordinating committee, and making clear where the boundaries of joint activity lie (Neves, 2007). By doing so, any incompatibilities between firms are thought to lead to less-destructive conflict.

While some degree of conflict is common in horizontal networks, Fyall and Garrod (2005) felt that it was not clear whether conflict promotes or retards network effectiveness. With respect to the latter, if conflict resolution results in positive outcomes, the process may actually stimulate organisational learning and enhance the network's effectiveness. Potential conflict between network actors can, however, be lessened, or resolved, through establishing formal agreements at the outset of any network activity (Zeffane, 1995). In particular, creating a code of ethics or conduct, and meeting frequently, can assist firms to overcome many of the potential barriers to inter-organisational collaboration (Neves, 2007). Parameters should also be established regarding what type of information may or may not be shared (Morris et al., 2007). This is important in alleviating network members feeling uncertain or unsure about how to behave, and to avoid sensitive information being shared inappropriately.

Research has also found that networks can severely drain resources from the firms involved, and in the process, sensitive information may be lost and conflict regarding intellectual property may arise (Rampersad et al., 2010). Parker (2000) argues that being

in a cooperative relationship involves additional time and financial burdens for a firm, which over time, may significantly reduce the benefits of the relationship. Zineldin (2004) supports this view by suggesting one of the main disadvantages for firms belonging to networks is the demand on their resources. In particular, networks require firms to commit time, money and attention. If a firm ends up neglecting their core business activities because they are too tightly involved in a network, they risk losing some element of flexibility (Zineldin, 2004).

Network relationships that are too close may also cause firms to lose control of their activities and resources (Zineldin, 2004). In the most extreme of cases, firms may lose proprietary information to others within their network (Håkansson & Ford, 2002). This issue was also identified by Neves (2007), who through case study research found that the possibility of inside information being shared with firms outside of the network reduced the likelihood of firms engaging in collaborative activities. In their comparative study of Australian SME business networks in the manufacturing and service sectors, Dean et al. (1997) also found that many businesses were concerned about disclosing information to their competitors in the network, while others simply wanted to remain independent. These reasons, along with individuals feeling uncertain as to how to behave in networks, were the most inhibiting factors to SMEs engaging in formal network arrangements (Dean et al., 1997).

Another source of weakness in business networks is the tendency for firms to fight for power and control (Hadjikhani & Thilenius, 2005). Firms involved in networks may acquire such power from their expertise, market share and size, the superior technology they have access to, or the respect other network members have for them (Thorelli, 1986). Additionally, some firms try to exert considerable influence over the activities and resources embedded in the network and by doing so create feelings of conflict and uncertainty among other network members (March & Wilkinson, 2009; Milward & Provan, 2003). If and when a new firm enters the network, the more controlling firms may react unfavourably, which is to the detriment of the network as a whole. In response to these challenges, firms need to develop the managerial skills and capabilities for

dealing with simultaneous cooperation and competition with another firm (Morris et al., 2007). Additionally, managers should learn how to reconcile their potentially conflicting roles of competitor and collaborator (Palmer, 2002).

Among the factors Williams (2005) cited as common barriers to cooperative relationships forming in inter-organisational networks was a lack of trust among actors, firms being reluctant to give up their independence, the complexity of joint projects, and the inability for some firms in a network to collaborate. These risks and negative consequences do, however, vary in their severity depending on a number of contextual factors. For example, the competitive and economic environment surrounding the industry in which the network is positioned, can exert pressure on cooperative relationships and therefore lead to network failure. Selin (1993) studied inter-organisational collaboration in the tourism industry, and in doing so, identified some of the more common barriers and antecedents to this particular type of network activity. Many of the factors constraining effective collaboration and open communication within the tourism industry relate to issues of industry fragmentation and ideological differences (Selin, 1993). Jurisdictional boundaries may also create a barrier through the notion that many cities, states, and nations compete with adjacent entities for a „slice of the tourism pie’ (Selin, 1993: 219).

A similar finding was made by Brown and Butler (1993) who attributed the natural borders between regions as being barriers to information sharing among local businesses in networks. Furthermore, Neves (2007) found that the geographical distance between firms reduced the likelihood of collaboration between firms in Brazil. Disagreement over network objectives, differing management styles and marketing priorities, and an inability to adapt to changes in the external environment, are additional reasons why many attempts at inter-organisational collaboration fail (Neves, 2007; Palmer, 2002).

Finally, it should be acknowledged that not all firms will be interested in cooperating with their industry counterparts, or forming networks at a horizontal level. On the one hand, some firms adopt a more transactional approach to their exchange processes, and for this reason, it is important for this study to consider the possible reasons why firms

avoid forming horizontal relationships, in addition to learning why conflicts develop and how they should be managed (Welch & Wilkinson, 1999). On the other hand, some networks and business relationships simply end because they have served their purpose and the firms no longer need to cooperate (Tidström & Åhman, 2006). They may also come to an end because the value of the relationship has changed over time (Zineldin, 2004). In such cases, the network should not be studied in terms of failure, but rather in terms of success.

4.7 Chapter summary

This chapter has reviewed the nature of collaborative marketing within horizontal networks, and between SMEs. The first section outlined the main benefits of networking for SMEs. In the process of reviewing this literature, this chapter emphasised that SMEs lack marketing expertise, resources, and opportunities. In response to such issues, collaborative marketing has emerged as a particular form of network activity pursued by small agricultural firms or tourism enterprises. This chapter has borrowed definitions and understanding from this stream of literature, and reviewed the implications of this work for the current study.

Although there is a wealth of information and insight on collaborative marketing from a tourism perspective, the general tourism industry does differ from the context of this research. Most notably, within a tourism destination or industry, the core product is much harder to define. That is, there is a diverse range of businesses that have different objectives depending on whether they offer an accommodation service, hospitality, or are a visitor attraction. This leads to greater industry fragmentation, and possibly rivalry for a share of a tourist's patronage. One of the key aims of this research was to study the dynamics of horizontal networks and collaborative marketing in context of an industry that offers the same product to the same segment of target consumers (i.e. it comprises direct competitors). Although Tasmanian wine producers vary in their business

backgrounds and objectives, they share many more similarities in terms of the resources they use, and the organisational problems they encounter.

In the second half of this chapter, the main reasons why firms join business networks, and some of the reasons for network failure, were reviewed for the purposes of the current research. Many of the factors attributed to network failure are heightened in the context of horizontal networks, because competitors are generally thought to have conflicting interests and objectives, and are reluctant to share information. That said, if organisations can find a way to work together effectively, the benefits of comparative advantage are substantial, particularly for small firms. The thesis will now shift its focus to the nature of marketing within the wine industry, and under what conditions wine producers, grape growers and wine distributors opt to form collaborative relationships and networks.

CHAPTER FIVE

WINE MARKETING AND WINE NETWORKS

5.1 Introduction

So far, this thesis has reviewed the literature on network theory, inter-competitor relationships, and collaborative marketing. This chapter now adopts a more contextual focus, whereby research on the wine industry, wine firms, and wine marketing is reviewed, and the links between this research and the theoretical framework are drawn. Prior to commencing a review of the extant network research from the wine sector, this chapter begins with a general discussion of the wine product, and the current state of collaboration in the Australian and Tasmanian wine industries. Following this, the empirical research on collaboration, networks and inter-organisational relationships among wine related businesses will be critiqued. In addition, the findings of research on vertical networks between wine producers and various members of their supply chains will be considered. Overall, this chapter highlights the need for further application of network theory to wine marketing.

5.2 Wine marketing and the nature of the wine product

In addition to the pressures felt by globalisation, the nature of the wine product creates unique marketing challenges. Firstly, Carlsen (2004) argues that running a small wine business requires a wide range of expertise, because owner/managers are required to perform primary activities (grape growing), secondary activities (wine production, winemaking), and often tertiary activities (marketing their wines through restaurants and cellar doors). Secondly, consistency in wine is difficult to achieve, and this creates challenges in terms of how wines are marketed. A third hurdle facing cool climate wine producers in particular, is the long lead time between planting the grapes, producing the

wine, selling the product, and actual consumption. By consequence, tailoring wine products to meet changing market demands and trends can be difficult (Sharp, 1991). The quality and quantity of grape harvest is also dependent on climatic conditions. Thus, wine producers face the problem of not only managing the dynamic attributes of their wine product, but also forecasting the quantity of wine they will produce each vintage. Nonetheless, for many serious wine consumers a significant part of the wine experience is learning to appreciate the variability in vintages, regions, vineyards and even bottles (Cox & Bridwell, 2007). Marketing can help to educate consumers in these areas. In addition, wine marketing is paramount to communicating value and brand image. However, traditionally wine producers have lacked marketing expertise, preferring to focus on other production-oriented areas of their business such as winemaking and viticulture (Spawton, 1991). Additionally, the owner/managers of small wine businesses have been found to make most of their marketing decisions in response to their competitors' actions and market demands (Corkindale & Welsh, 2003), rather than their resources and capabilities.

In Australia, strong competition from imported wines and the consolidation of the retail sector is creating active rivalry for retail shelf space and pushing many smaller wine producers to engage in more sophisticated marketing strategies. Worldwide, gaining access to mass distribution channels such as liquor stores and supermarkets is becoming increasingly difficult for small wine producers, given the significant amount of time and money required to win over large retailers (Welsh, 1994; Beverland, 2000). Even if the small producer is successful in obtaining shelf space, they still face significant competition from the proliferation of competing brands sold within the one outlet. In response to these shelf space issues, a number of smaller wine producers have reallocated their marketing resources towards boosting wine sales through their cellar door, and embracing wine tourism (Getz, 2000; O'Neill, Palmer & Charters, 2002; Yuan, Morrison, Cai & Linton, 2008). Yet, this strategy is only appropriate for wine businesses located within popular tourism destinations, or along well-defined wine routes. Furthermore, in order to attract cellar door visitors, wine producers need to work together to raise the awareness of their wine region.

In addition, the influence of short product life cycles, fickle consumers and distributors, unpredictable supplies, and supposedly few alliances between producers, has resulted in an industry environment that is dynamic and rife with uncertainty (Garcia & Atkin, 2005). Moreover, a rise in the marketing budgets of the larger wine companies has seen smaller wine producers struggling to compete, particularly on a global scale (Pike & Melewar, 2006). Situations such as this have led some authors to describe the wine industry as an intensely competitive industry where wine producers and independent wine regions compete on both a local, national and international level (Garcia & Atkin, 2005). In response to such instabilities, Remaud and Couderc (2006) argue that small wine producers should focus on niche markets rather than aim to achieve substantial international growth. This supports other Australian research, which observed that when „competition and economic activity globalise, competitive advantage can be localised’ (Enright & Roberts, 2001: 67).

While experience shows that smaller wine producers should adopt different marketing strategies, research suggests that the marketing activities pursued by premium wine producers should vary from those used by wine companies involved in mass production (Spawton, 1991)¹⁸. When the wine product is of a premium nature, producers are encouraged to emphasise the intangible benefits of their wine, such as its appellation and vintage, and produce wines in limited quantity. This product strategy should be integrated with a marketing communication mix that consists primarily of word-of-mouth and public relations. From a distribution perspective, premium wine producers should focus on specialist outlets and their cellar door (Spawton, 1991). This approach should be supported with a prestige pricing strategy that includes no discounting or sales promotions (Spawton, 1991).

Given the history and dynamism of the wine product, a number of researchers have studied the different aspects of the wine industry both here in Australia, and overseas.

¹⁸ Note that all Tasmanian wine producers would be classified as premium, or fine, wine producers. In comparison, many of South Australia’s large wine companies would be classified as mass production businesses, because they are renowned for producing a surplus of wine at a consistent quality and at a low price.

However, this literature tends to be focused on production or operational issues, rather than examining the industry from a business or marketing perspective (Charters et al., 2008). Literature in the latter categories ranges from management- and branding-oriented studies (Beverland, 2004a; 2004b) to consumer-oriented studies, such as their preferences for certain wine styles, prices, and label designs (Atkin, Nowak & Garcia, 2007; Batt & Dean, 2000; Charters, Lockshin & Unwin, 1999; Lockshin & Hall, 2003). Empirical research on the nature of marketing and wine tourism in the Australian and New Zealand wine industries has shown that wine marketers face a number of internal and external pressures (Beverland, 2000; Corkindale & Welsh, 2003). Examples of these include an increasing number of wine retailers and wine producers; more informed and demanding consumers; increased pressure and rivalry for shelf space, and retailers becoming less prepared to promote wine brands themselves (Beverland & Lindgreen, 2001). Over the past decade, Australia's reliance on export markets has forced the industry into a position of accepting reduced prices, which have created a negative perception among international consumers that Australian wine is of poor quality (Scott, 2010). A global oversupply of wine, strong domestic currency performance, the rise of the „gatekeeper' influence, and the emergence of new social, ethical and environmental concerns, are creating even more challenges for individual Australian wine producers (Henry, 2008; Somogyi et al., 2010).

Recent research on the Western Australian wine region endeavoured to identify the management and business skills that were most important to SMEs operating in the wine industry (Charters et al., 2008). Not surprisingly, the most sought after skills were in marketing, strategic planning, financial management and human resources. While industry associations are the preferred source of business training, this study found that they are perceived to be too technical in their focus (Charters et al., 2008). The study also acknowledged that there is much diversity within the sector, which results in SME wine producers having different business needs (Charters et al., 2008). Overall, Charters et al. (2008) conclude that small- to medium-sized wine producers must understand that their passion for producing a good wine is not enough to make their operation profitable over the long-term.

5.3 Collaboration in the Australian wine industry

The ongoing pressures associated with being a small business and operating in a global industry, is forcing many wine producers to adopt a more market-driven focus, and recognise that relationships with consumers, trade, and government are central to their long-term success. In response to the economic and industry challenges facing Australian wine producers, the outgoing General Manager of the Australian Wine and Brandy Corporation (AWBC), Paul Henry, argued that wine producers would need to adopt a more collaborative approach to their marketing (Henry, 2008). In his opinion, successful collaboration requires relationships to be defined equitably, and for there to be a degree of unity that leads to some competitive advantage. When these principles hold true, collaboration should result in a greater amount of benefit, and allow the Australian wine industry to join together to overcome the downturn it is presently experiencing. Other wine commentators have suggested that collaboration between wine producers contributes to developing and sustaining a regional identity, which adds value to the marketing and promotion of wine products from a distinctive geographical space (Haughton & Browett, 1995). Thus, wine producers should focus not just on the quality of their product, but also on their relationships, interactions, and networks with suppliers, customers and other stakeholders (Beverland & Lindgreen, 2001). It should be noted that the nature of collaborative relationships and cooperation in the Australian wine industry has changed over time. For example, the informal support practices, which were once commonplace, have now evolved into a range of commercial, contract-bound relations and formalised support systems at both the local and national level (Haughton & Browett, 1995).

Although Tasmania is considered one of Australia's most promising wine regions, little research on the marketing or management issues facing Tasmanian wine producers has been published. Even previous assessments of business linkages and networks across all Australian states have neglected to include any Tasmanian businesses in their sample (Bureau of Industry Economics, 1995). In recent years, much of the wine industry policy created at the local, state, and national government level is aimed at actively encouraging

innovation, exporting, and improvements in quality rather than increases in production levels. From a government perspective, the creation of business networks in many agricultural and manufacturing industries, or between firms in complementary industries such as wine and food, can play an important role in these policy areas. A case in point is the Tasmanian State Government, which is currently working closely with industry representatives in developing the capabilities and competitiveness of Tasmanian businesses. Part of this involves providing support and encouragement for strategic alliances, networks and clusters across a range of industry sectors, including: manufacturing, information and communication technology, food and beverage, and finance and business services (Department of Economic Development, Tourism and the Arts, 2010). Meanwhile, the Tasmanian Social Capital Network has a strong interest in exploring collaborative and cooperative approaches to improving the competitiveness of Tasmanian industries and regional communities (Future Tasmania, 2010).

Similar initiatives are also in place at the federal level. One of the biggest examples has been AusIndustry's Business Network Program, which ran as a pilot program for approximately three years. Several studies regarding the outcomes of this program were completed, and these ranged from a manufacturing (Dean et al., 1997), small business, (Smith & Holmes, 1997) wine tourism (Hall et al., 1997) and general perspective (Sweeting, 2005). Since, a key focus of Australian government policy and programs has been to support and facilitate the development of cooperative associations in the tourism and agribusiness sectors of industry (Hall et al., 1997). Further, although policy makers have identified business networks and industry associations as useful, particularly for small businesses in regional areas, their impact on industry performance and competitiveness has gone largely undocumented. Additionally, some researchers have found that Australian SMEs are reluctant to take up government initiated support programs because of the political and administration difficulties they usually experience (Enright & Roberts, 2001).

In their review of collaboration and learning in the Australian wine industry, Marsh and Shaw (1999; 2000) follow the lead of other network researchers by suggesting that

collaboration at the industry level provides a foundation for activities that would be unattainable by any single wine producer. Collaboration among wine producers was also found to bring about new knowledge and learning, and arouse new motives and ambitions for those involved in the industry (Marsh & Shaw, 1999; 2000). In relation to the statements above, industry bodies and associations have an important role to play in establishing the right balance of collaboration and competition, and minimising transaction costs between producers (Marsh & Shaw, 2000).

5.4 Wine networks

Despite previous examples of Australian wine producers collaborating and forming networks (Haughton & Browett, 1995; Marsh & Shaw, 1999; 2000), empirical research on horizontal collaboration in a wine industry context is in its infancy, and has developed at a much slower pace to what has appeared in practice. In fact, in the past decade Australian and New Zealand wine researchers have been calling for further research into how wineries can build competitive advantage through collaborative marketing and networks (Beverland & Lindgreen, 2001; Somogyi et al., 2010). In particular, more empirical research is needed to understand how wineries balance their desire to cooperate and compete within horizontal networks in their regional areas. Others claim that, although there are many studies of cluster and network development within the wine and tourism industries, much of this work does not explain how these relationships actually function, or how firms interact to produce synergy in their marketing (Hall, 2004).

For the most part, the extant literature on inter-organisational relationships and collaboration within the wine industry has largely been from a wine tourism perspective (see, for example, Mitchell & Schreiber, 2006; Simpson & Bretherton, 2004; Telfer, 2001a; Wargenau & Che, 2006). Other popular topics include the study of relationships between winemakers and wine grape suppliers (see, for example, Somogyi et al., 2010; Renondo & Fierro, 2007), wine producers and their distributors (see, for example, Thach & Olson, 2006), and wine producers and members of an international supply chain (see,

for example, Lindgreen, 2001a). Some research on horizontal networks and collaboration between competing wine businesses has emerged (see, for example, Brown & Butler, 1995; Correia, Passos Asecnção & Charters, 2004; Taplin, 2010). However, questions still remain in relation to how competitors interact at the network level, and what the process and outcomes of this type of activity are in a regional Australian context. In addition, prior researchers have tended to explore the benefits of horizontal networks in terms of resource sharing and regional development, rather than all possible outcomes of collaborative marketing activity. Further, the contribution of this literature is undermined by an inconsistency in methodology, and the absence of a theoretical basis upon which the results can be analysed and compared.

5.4.1 Relationships between wine producers

Building on the findings reported by Marsh and Shaw (2000), Lewis (2003) undertook research into the Wine Institute of New Zealand (WINZ) from an associational governance perspective. Among the study's findings, Lewis (2003) concluded that despite the presence of direct competition and opposition between WINZ members, the association was able to nurture a feeling of collective industry ownership and facilitate knowledge sharing among its members. This was achieved through members interacting regularly, sharing their experiences and knowledge, and having a common passion for wine (Lewis, 2003). Although Lewis's (2003) work provides insight into the role of wine industry associations, the research did not consider the horizontal relationships among members. Rather, the work focused on the broader relations between an industry and its government.

Around the same time, Benson-Rea (2005) was completing a doctorate study of how New Zealand wine firms understand their business relationships. Using a combination of network and strategic management theory, and the interaction approach, this work looked at how firms value their relationships in business strategy (Benson-Rea, 2005). Although aspects of the study's findings are relevant to this thesis, Benson-Rea's (2005) focus was

on inter-organisational relationships in general, rather than those strictly between wine producers. Overall, this research found that how New Zealand wine firms understood their business relationships was dependent on their personal values and firm level strategy. In particular, whether the firm aimed to control resources and activities internally, or use their relationships to achieve strategic goals was significant (Benson-Rea, 2005). Other researchers (see, for example, Brown & Butler, 1995; Chetty & Wilson, 2003; Simpson & Bretherton, 2004; Taplin, 2010) have adopted a more specific focus on the relationships and networks between wine producers at a horizontal level, with much of this work stemming from other new world wine regions such as New Zealand and California.

Somewhat differently, Chetty and Wilson (2003) explored the role of horizontal network relationships in the internationalisation of New Zealand SMEs. At the core of their research was the finding that horizontal networks were more important to SMEs looking to internationalise, as these relationships provided them with up-to-date information and complementary resources. On the other hand, domestic firms tended to be more reliant on their social or vertical networks for resources. Following their quantitative survey, Chetty and Wilson (2003) introduced single case study evidence from a medium-sized winery in order to explore the role of horizontal networks further. This second stage of research revealed that wineries openly collaborated with each other for the purpose of information sharing, organisational learning, and marketing in both local and export markets (Chetty & Wilson, 2003). The primary purpose of horizontal marketing networks in a wine industry context is to promote the regional or country label ahead of individual wine company labels. As such, representatives from the case study organisation felt that the most competition stemmed from other countries, such as Australia, rather than other New Zealand wine producers (Chetty & Wilson, 2003).

A similar concept was raised by Beverland (2009), who indicated that collaborative relationships between competitors (in this case other wineries) enable exporting wine firms to raise the general awareness of their collective product among business buyers and consumers. Once regional awareness was established, producers could then establish

more vertical relationships that would enable them to leverage their individual wine brands into the new market (Beverland, 2009). Although both studies provide evidence of the benefits of horizontal networks for wine producers, two main limitations limit their applicability to the research reported here. Firstly, Chetty and Wilson's (2003) findings were based on a single case study of a medium-sized wine firm operating in international markets. Thus, further research is needed to explore whether the same propositions apply in the context of Australian SMEs operating in primarily domestic markets. Secondly, Beverland's (2009) findings were based on anecdotal evidence stemming from a separate study of buyer-seller relationships. Hence, further research into why, and how, wine businesses collaborate with their competitors through horizontal networks is needed.

In a quantitative study of fifty-four wineries located in the United States of America, Butler and his colleagues (Brown & Butler, 1995; Butler et al., 1990) were some of the first researchers to investigate horizontal networks between wine producers. A key finding of this research was that a wine producer's desire to join horizontal networks was closely related to their stage of business development. For example, during their start up phase, wineries were more likely to belong to social networks, while business networks were perceived as more useful for wineries in the evolution and final stages of business development (Butler et al., 1990). The researchers also examined the nature of networks between competitors, and in particular how competitor networks could be used to overcome the resource constraints faced by small wine producers. An extensive mail survey was used for collecting data relating to this objective. Overall, competitor networks were found to be an important source of industry-specific and technical information. This supports the previous finding that entrepreneurial wine producers are more likely to join social networks when they first enter the wine industry (Brown & Butler, 1995, Butler et al., 1990). In conclusion, Brown and Butler (1995) suggested that more research attention needs to be focused on the intervening effects and circumstances that dictate the use of competitor networks. They also argue that the findings of their research indicate that competitor networks exhibit more complexities more so than once thought (Brown & Butler, 1995; Butler et al., 1990).

The importance of organisational learning was raised by Simpson and Bretherton (2004) in their study of cooperative business practices among wineries located in the Matakana region of New Zealand. Using cluster theory, the authors investigated the strengths and weaknesses of collaborative marketing alliances. For the most part, wineries used collaborative alliances and partnerships to share information about the industry and learn more about the art of producing wine. Instilling a sense of belonging into the wine community was a key strength of collaborative marketing alliances. Some respondents, however, had a negative attitude towards intra-regional collaboration, particularly when it was oriented towards marketing objectives rather than improving production. In addition, the ability of collaborative marketing alliances to instil a sense of community among wineries was disrupted by the presence of strong individual personalities and a clear division between the region's hobby wine producers and those that were more entrepreneurial. Although the context of this study is highly relevant to this thesis, a clear limitation of Simpson and Bretherton's (2004) work is their small sample size (only five wineries were studied). In addition, although the research provided some insight into the value of collaborative business practices from a wine producer's perspective, the process of collaborative marketing and the factors which enhance this activity were not included in their study.

Researchers have also studied the role of networks and collaboration for facilitating information and knowledge sharing among wine producers, and between wine producers and tourism operators. In one of the most recent examples of this work, Taplin (2010) examined how knowledge sharing between incumbent and new wine producers affected the creation of high status wine regions, such as California's Napa Valley. Most of the cooperative relationships Taplin (2010) examined were embedded in networks, although as the region matured, there was a gradual decline of cooperative behaviour, and a competitive edge to inter-winery relationships emerged. Many of the comments made by this study's respondents led to the proposition that as the number of firms in a wine region increases, firms feel more pressure to differentiate, which in turn, introduces an element of competition (Taplin, 2010). Taplin (2010) also argued that critical mass may cause a shift towards wine producer interaction occurring within more formal settings,

where the flow of information is more structured and less reliant on the presence of reciprocity.

Overall, Taplin's (2010) research demonstrates that feelings of collaboration among competitors are likely to change over time. In particular, as a wine region becomes more consolidated, members are less reliant on horizontal networks than when the industry was „still climbing the quality ladder' (Taplin, 2010: 20). This finding has particular relevance to the research reported here, as the Tasmanian wine industry is considered a high-end wine region, and is slowly reaching a point of consolidation for a state of its size.

A recent conference paper by Callahan, Ballantyne and Thyne (2010) also examined the role of knowledge sharing in the formation of high-end wine regions. While Taplin (2010) focused on transformation and change within wine regions, Callahan et al. (2010) examined how knowledge sharing between horizontally integrated wine firms in the Central Otago region of New Zealand contributed to the reputation of the region as a whole, and the reputation of the individual wine labels. Using a case study method, the authors found networks provided an effective platform for wineries to exchange both explicit and tacit knowledge. Furthermore, unlike in the Napa Valley, there was little competition between the Central Otago wineries, which was found to contribute to their ability to maintain a point of differentiation whilst still sharing information and ideas (Callahan et al., 2010).

In an Australian context, the nature of knowledge creation in networks of SME firms was studied by Braun, McRae-Williams and Lowe (2005). Using cluster theory as a basis, the authors found that there was a range of issues surrounding knowledge transfer among clusters of tourism and wine SMEs in three Australian regions. Although the paper only briefly highlights three regional Australian clustering studies, the authors did note that wine firms were more inclined to engage in networking and knowledge exchange with each other, rather than with tourism operators. Findings published by McRae-Williams (2004) a year earlier supported this observation, by suggesting that clusters were on the

rise within the wine industry, and that many had displayed complex levels of cooperation and joint activity.

Aylward (2004a; 2004b; 2005) has performed extensive work into the presence of innovation and export activity within Australian wine clusters. Although the focus on innovation and export activity is not directly relevant to this Tasmanian study, Aylward (2004a) has alluded to a „cultural’ or geographic divide between some Australian wine clusters, which suggests wine producers may perceive collaborative activity differently depending on which state or region they are located. SMEs are more likely to respond to global wine industry pressures through forming clusters in their region (Aylward & Zanko, 2006). Importantly, these clusters, particularly those in South Australia, have been found to enhance the marketing, distribution and export strategies of small-to-medium sized wine firms (Aylward, 2004a; 2004b).

Along similar lines, Giuliani (2007) studied the extent to which the geographic proximity of wine firms within Italian and Chilean regions, affected their organisational learning and innovation capabilities. Overall, the results of Giuliani’s (2007) analysis revealed that in spite of firms’ geographic proximity, innovation related knowledge was diffused within clusters in a highly selective and uneven way, and the extent to which this knowledge was shared varied according to the strength of social relationships between wine firms.

Work by Farinelli (2007) also analysed the key drivers of innovation within Argentine wine clusters. In this work, analysis of various examples of interaction between firms and between firms and the government revealed that many of the region’s smaller wine producers collaborated in the form of informal wine tasting and benchmarking. Importantly, this type of collaborative activity had become a valuable source of learning and innovation. In another innovation-oriented study, Garcia and Atkin (2005) investigated how cooperation among competing wine producers had affected the diffusion of the screw cap for wine bottles. After examining the diffusion of this innovation in the wine industries of Australia, New Zealand, and the United States,

Garcia and Atkin (2005) concluded that the difference in diffusion rates could be partly attributed to the variation in collaboration within the different wine industries. In particular, the new initiative had been widely adopted by wine producers who could overcome issues of competition and unite for the purposes of a joint promotional campaign (Garcia & Atkin, 2005). Interestingly, Australian and New Zealand wine producers were found to be the most conducive to cooperation.

Using the resource-based view as a theoretical framework, de Oliveira Wilk and Fensterseifer (2003) also examined the link between collaboration and competitive advantage, this time in a southern Brazil wine cluster. In particular, a wine region's competitive advantage was grounded in the strategic resources and capabilities of the cluster, which were underpinned by the cluster's structure and geographic location. Correia et al. (2004) have also studied the development and performance of wine clusters. Using the Bairrada Wine Route in Portugal as a single case study, the authors used in-depth interviews and observation to gather data relating to the perspectives and future of the wine route. Although their work was exploratory, the authors confirmed that collaborative networks were valuable for advancing wine tourism in this „old world' wine region. However, in the case of Portuguese wine producers and their associated businesses, a lack of coordination and organisational leadership were constraining the development of collaborative activity. In light of this observation, Correia et al (2004) concluded that newly-developing wine networks should acquire organisational leadership and a clear structure from the start. Importantly, both these conditions were linked with the attainment of support and commitment from wine route members.

5.4.2 Collaboration between the wine and tourism industries

In addition to studies of the network practices of wine businesses, there is rising academic interest in the opportunities for collaboration and networking between the wine and tourism industries. This work stems from the field of wine tourism, which refers to visitation to vineyards, wineries, wine festivals and wine shows, for which wine tasting,

and/or experiencing the attributes of a wine region, are the main motivating factors for tourists (Hall et al., 1997). Although some authors in this area use network theory as their research framework, most wine tourism researchers have placed their findings in the context of cluster and strategic alliance theory (see, for example, Aylward, 2004a; Farinelli, 2007; Giuliani, 2006).

Despite these shortcomings, Telfer's (2001a) work is one of the more comprehensive examples of empirical research in the wine tourism arena. Through his study of the strategic alliances along the Niagara Wine Route, Telfer (2001a) identified both formal and informal horizontal networks. Interestingly these networks were used by wineries for the purposes of making customer referrals, organising joint advertising, coordinating special events, and sharing resources. Although his paper clearly illustrated a range of benefits small wine producers can obtain through working together, the research did little to investigate the factors that affect horizontal collaboration. In a follow up paper, Telfer (2001b) did make some recommendations as to how vertical and horizontal linkages can be strengthened within wine tourism clusters. For example, commitment from various government agencies was noted as being important for providing funding and infrastructure, while communication between industry members ensured that success stories were shared, and that the smaller members of the network had the opportunity to learn from the experiences of others (Telfer, 2001b).

In an Australian study, Morris and King (1997) found that overall, SME wineries and tourism operators were concerned by the lack of inter-regional cooperation, particularly within neighbouring tourism destinations. Local wine and tourism associations could create the opportunities for improving the collaboration and coordination between these sectors, however, the responsibility for maintaining collaborative activity must stay with the individual firms involved (Morris & King, 1997). In one of the few comparative studies in the area, Hall (2003) researched the dynamics of wine tourism networks, with the aim of exploring the potential for integration between these two complementary industries. Through his examination of three leading New Zealand wine regions, Hall (2003) highlighted several factors that could affect the formation of wine and tourism

networks. In particular, the presence of a network „champion’ was considered vital for promoting such networks, and for encouraging linkages between the wine and tourism sectors. Like Telfer (2001b), Hall (2003) also acknowledged the importance of regular communication between network members, and noted that regular stakeholder meetings helped to facilitate cooperation and develop a climate of trust. In his conclusion, Hall (2003) noted that in New Zealand there was a tendency for more dyadic relations between wine producers and tourism operators, rather than fully developed networks where inter-winery cooperation was high. Two possible reasons for this were firstly the tendency for wine producers to perceive tourism as being an „inferior’ activity, and secondly, the absence of effective network linkages across the food, wine and tourism sectors (Hall, 2003).

Mitchell and Schreiber (2006; 2007) also studied the barriers to collaboration between the wine and tourism industries in the Central Otago wine district of New Zealand. Using a case study approach, the authors examined various cases of vertical integration between wine and tourism enterprises. From their interviews with nine tourism and wine industry stakeholders, the researchers found support for the perception that most wineries do not consider themselves to be tourism businesses (Mitchell & Schreiber, 2006; 2007). A lack of cohesion within the tourism sector, and the number of tourism marketing organisations within the Central Otago region, were also identified as cause for concern. Despite their study’s focus on vertical relationships and wine/tourism networks, Mitchell and Schreiber (2006; 2007) did find strong levels of cooperation between Central Otago wine producers, which was carried out via informal and formal networks. Similarly, Bruwer (2003) performed extensive research into the nature of wine routes in South Africa through interviewing one hundred and twenty-five wine companies. Overall, Bruwer (2003) found that South African wine companies were more interested in maintaining horizontal linkages with other wineries in their area, rather than vertical ties with tourism enterprises and government agencies. This resulted in a higher degree of networking and cooperative behaviour taking place between the wineries themselves, compared to that between the wineries and other stakeholders (Bruwer, 2003).

5.4.3 Collaborative marketing between wine producers

Although there is an increasing amount of research on networking and collaboration within the wine industry, many of the studies cited so far have not adopted a clear marketing focus. Some, for example, have examined the link between collaboration and innovation, collaboration and organisational learning, and collaboration and resources. In other streams, researchers have incorporated the perspectives of tourism providers, rather than specifically examine the marketing activities of wine producers themselves. As a result, the current wine tourism literature falls short of providing in-depth answers to questions of why and how wine producers collaborate in horizontal networks. Furthermore, a theoretically-grounded explanation of how collaborative wine marketing activity should be managed, and what factors affect the value of such activity, is still lacking.

Wargenau and Che (2006) offer some interesting insight into the types of activities pursued by horizontally and vertically integrated wine trail alliances. In-depth interviews with wine producers along the Southwest Michigan Wine Trail revealed that their main motivation for networking was firstly to build the structure of the region, and secondly to promote the region to consumers. As such, the wine producers engaged in extensive horizontal collaboration for the purposes of joint marketing and joint production. Specific collaborative marketing activities included the production of a wine trail brochure/map, joint advertising and media exposure in the local newspaper, wine marketing events every three years, and informal customer referrals between wineries. Through the pursuit of these activities, the region's wineries established a strong horizontal network, which also facilitated equipment sharing, research participation, and wine tourists referrals (Wargenau & Che, 2006). Although this study offers valuable insight into the types of collaborative marketing wine producers may pursue, it forgoes any discussion of what factors may serve to enhance or restrict this type of network activity.

More recently, Čačić, Kljusurić, Karpati & Čačić (2010) conducted a preliminary study of the Croatian wine sector, and found that the majority of producers were in favour of

creating a collective organisation for activities related to domestic and international marketing and market research. Although this study supports the network and cooperation activities occurring in many other wine regions, it was not grounded in network theory, nor did it survey producers about other aspects of their inter-firm relationships.

Researchers have also studied the marketing activities among wine producers in relation to the value of individual versus collective efforts. Penn and Christy's (1994) study, for example, examined the effect of collective marketing activities pursued by the Cotes de Duras wine producers in France. Although the producers in this region were first and foremost focused on their individual marketing activities, the authors did note that the locally sponsored, collaborative marketing programme had an indirect influence over the region's wines gaining increased penetration in wine retail outlets in the United Kingdom.

Other studies that have emphasised the various networking benefits include that by Randall and Mitchell (2008), in which they evaluated the performance of a specific collaborative wine tourism marketing alliance consisting of small and medium-sized wine and tourism enterprises in Canada. Through the application of Importance-Performance Analysis (IPA), the authors examined wine producer perceptions of which network outcomes were the most important (Randall & Mitchell, 2008). Of particular significance was the network's ability to meet the needs of members in the areas of media coverage, broadening visitor knowledge, enhancing business image, building the region's brand, and bringing tourism to the area (Randall & Mitchell, 2008). Although this empirical work provides insight into the nature of wine tourism networks and cooperative marketing alliances, the focus was on the outcomes and their performance, rather than their dynamics and the factors inherent to their success.

5.4.4 Vertical wine networks

The final stream of literature regarding networks and collaboration in a wine industry context has focused on the antecedents of vertical relationships. For example, Hobley (2008) examined how a winery's willingness and ability to resolve conflict, communicate effectively, perform satisfactorily, and trust others, affected the value of the winery/grape grower relationship. A combination of qualitative and quantitative research with nearly six hundred wineries and grape suppliers revealed that as part of an ongoing process, wine firms should communicate the strengths and shortcomings of their relationships, and periodically revise the expectations of both parties. By doing so, their dyadic relationships with suppliers are more likely to be mutually satisfying over the long-term (Hobley, 2008). These findings are consistent with a recent study conducted in the Western Australian wine industry (Somogyi et al., 2010). Qualitative research by Somogyi et al. (2010) explored the determinants of quality relationships between wineries and grape growers involved in dyadic exchange relationships. They too, found that honest and open communication between partners was a key determinant of grape growers being committed to maintaining long-term relationships with their grape buyers, and vice versa.

Thach and Olson (2006) also studied vertical partnerships, this time in the context of the United States wine industry. Their focus was also the relationship between wineries and their distributors, rather than wineries and their grape suppliers or others „upstream’ in the supply chain. Although the findings of their survey are not directly relevant to the horizontal network relationships examined in this thesis, the authors did use industrial marketing theory as a framework, and like Somogyi et al. (2010) they emphasised the importance of trust and commitment in the development of strong buyer-seller relationships. Overall, strong personal relationships between the winery and distribution company personnel were acknowledged by the survey respondents as important. However, in this case, economic factors such as the wine's price, taste, and point of sale materials, were more influential than the social factors in the distributor's decision to carry a certain wine brand in their portfolio (Thach & Olson, 2006). This finding is

consistent with research conducted in Spain, where researchers found that price, the type of product being exchanged, and the product's quality, were the main criteria used by SME wine businesses when selecting a specific supplier (Redondo & Fierro, 2007). In contrast, successful dyadic relationships between New Zealand wine exporters and British food and wine importers were characterised by trust, credibility, commitment, and frequent and forthright communication between parties (Lindgreen, 2001a).

5.5 Literature review summary

The last four chapters have discussed why firms would form horizontal networks and collaborate for the purposes of marketing. This chapter has specifically noted that the motivations and outcomes of horizontal networking and collaboration in a wine industry context are unique given the nature of the product and the characteristics of the industry. A common theme evident in the research cited here was that wine producers can achieve their objectives more effectively and efficiently through a strategy of collaboration rather than competition. In particular, current research on collaborative marketing among tourism enterprises, wine businesses and other related stakeholders confirms that a collective reputation is important to the marketing of tourism, wine and food regions. The factors that affect the quality of these relationships are, however, similar to those identified in more generic network literature. What is interesting is that wine producers tend to prefer collaborating and sharing information within their own industry, rather than exploiting the synergies with tourism or government. This appears to be in contrast to some of the literature cited in Chapter Four, which argued that competitors are reluctant to share information and engage in collaborative marketing in a formal way, because of the anti-trust implications and probability of conflict.

To conclude this section of the thesis, a review of the network and relationships literature has highlighted a number of research issues. Firstly, horizontal networks differ from vertical networks in terms of their structure, nature of relationships, and outcomes. Therefore, they are worthy of further, in-depth research attention. Secondly, networks are

conceptualised here as a type of quasi-organisation, which has implications for the manner in which they evolve, as well as the notion of inter-network competition and intra-network competition. Viewing networks in this way is only a fairly recent development in the network literature. As such, there is still much to be learned. A third issue relates to the observation that inter-organisational cooperation is a valid substitute for traditional theories of competition. This supports a move away from business interactions being purely economic and transactional, towards a position where organisations are considered interdependent entities embedded in social relationships. The ongoing debate between economic and social researchers is creating a need for more research dedicated to understanding the nature of non-economic exchange, which primarily occurs between networks of competitors, or between complementary businesses.

Finally, there is an increasing tendency for firms to adopt a collaborative approach to solving the problems and challenges they encounter in everyday business life. Despite this, empirical research on horizontal networks and inter-competitor collaboration is still in its infancy and has not kept pace with the rise of cooperative arrangements taking place in practice. Furthermore, the nature of interaction within one horizontal network may be completely different to that in another country, or even another region within the same country. Consequently, there is strong demand for empirical research that places the study of horizontal networks in the context of a specific industry and geographical location, such as Tasmania. This research aim corresponds with the following research questions that were highlighted in Chapter One:

RQ1: Why do Tasmanian wine producers join horizontal networks?

RQ2: What types of collaborative marketing do Tasmanian wine producers engage in within horizontal networks?

RQ3: What factors affect collaborative marketing pursued by Tasmanian wine producers in horizontal networks?

CHAPTER SIX

METHODOLOGY

6.1 Introduction

This chapter is devoted to the research methodology and design used in the study. A statement regarding the interpretive philosophy underpinning the research design will be provided first. Following this, the decision to use a qualitative approach to data collection will be justified, and the data analysis process will be outlined. Issues of reliability and validity will then be addressed, prior to a discussion of the ethical considerations associated with using in-depth, semi-structured, interviews. The chapter concludes with an overview of the limitations associated with this qualitative research project.

6.2 Research philosophy

Underpinning all social science studies is the overall research philosophy, which represents the researcher's basic set of beliefs, and which guides the decisions they make and the actions they take (Denzin & Lincoln, 2005). These principles are shaped by a researcher's discipline area, the beliefs of those around them, and their past research experiences (Creswell, 2009). More specifically, philosophical positions have a significant bearing on how the researcher gains knowledge of the world, and what tools and techniques they use in their study (Denzin & Lincoln, 2005; Lindgreen, 2008). Such positions also impose boundaries on how researchers relate to and interact with their subjects (Healy & Perry, 2000). As such, it is vital for researchers to identify their research philosophy in their write-up (Alvesson & Skoldberg, 2000; Crotty, 1998). At a general level, two overarching paradigms exist within social science research: positivism and interpretivism (Lindgreen, 2008). Despite there being some evidence of the academic divide slowly collapsing, strong debate regarding the merits of positivism versus

interpretivism, and the techniques used by social science researchers, still exists in the literature (Goulding, 2005).

Within the field of marketing, positivism has long been the dominant research paradigm (Hunt, 1994). In general, researchers adopting a positivist perspective endeavour to make precise empirical observations about the world (Burrell & Morgan, 1979; Neuman, 2000). Thus, positivist research represents a more formal undertaking to gain knowledge of a single objective reality (Hudson & Ozane, 1988; Lindgreen, 2008; Mitchell, 1993). Despite the prevalence of positivism thinking, some scholars oppose this view for the restrictions it places on social science inquiry (Guba & Lincoln, 1994). These criticisms largely rest on the notion that positivist researchers assume the role of a detached and external observer, and, therefore, view the world through a „one-way mirror’ (Guba & Lincoln, 1994: 110). This leads to a situation of little researcher/respondent interaction, which is necessary for understanding the complexity of social phenomena (Guba & Lincoln, 1994; Hudson & Ozane, 1988; Lindgreen, 2008).

Because business networks involve complex relationships between humans, a positivist position is inadequate for capturing the multiple real-life experiences of research participants (Healy & Perry, 2000). Further, as highlighted in the introduction chapter of this thesis, this research involves an exploratory study of small- to medium-sized Tasmanian wine producers and their horizontal networks. Because many of this study’s underlying theoretical concepts have been inadequately defined in this context, a research approach which encourages the exploration of meaning and the generation of new and alternative perspectives is necessary in order to address the research aims (Shaw, 1999). More broadly, the present state of the network literature has been described as „pre-paradigmatic’, novel, and exploratory (Borch & Arthur, 1995; Bonoma, 1985; Tsoukas, 1989). Thus, a positivist approach emphasising theory verification and generalisation would be unsuitable, and potentially restrictive.

Instead, the ontological, epistemological and methodological approach of this study sits within the interpretivist paradigm. Interpretivism is grounded in the theory of

hermeneutics, which emphasises meaning and understanding rather than measurement of a single, objective reality (Bryman, 2004; Neuman, 2000). Interpretive researchers also assume reality is socially-constructed and subjective, rather than external and objective (Burrell & Morgan, 1979; Easterby-Smith, Thorpe & Lowe, 1991; Gibbs, 2002; Lindgreen, 2008). The implication of this is that interpretive researchers tend to adopt an emic, rather than an etic, approach to their methodology (Headland, Pike & Harris, 1990). In other words, the role of the interpretivist researcher is to engage with their respondents, to experience what they are studying, and to accept that their interpretations will be influenced by both science and personal experience (Lindgreen, 2008).

This study aimed to understand the phenomenon of horizontal networks and inter-competitor collaboration in a specific context, and from multiple „insider’ perspectives (Guba & Lincoln, 1994; Veal, 2005). Other researchers studying inter-organisational relationships and networks have also embraced an interpretivist methodology. Shaw (1999), for example, used qualitative data collection techniques, and inductive data analysis to study the social networks formed between small firms. Also, previous researchers have noted that letting the innate feelings and motivations of respondents emerge, is an essential requirement of industrial network research (Hill, McGowan & Drummond, 1999; Perry, Ridge & Brown, 1998). Thus, this study believes that to understand the phenomenon that is horizontal networking and collaborative marketing, the researcher must to some extent participate in the real-world her respondents’ experience, and use their socially constructed reality and relationships to construct meaning. A research design which enables the researcher to engage and interact with Tasmanian wine producers was therefore deemed the most appropriate.

6.3 Research design

A study’s research design spans decisions and procedures related to methodology and how the research is to proceed (Creswell, 2009; Yin, 1984). Thus, the choice of research design is influenced by the researcher’s ontology and epistemological thought. In order to

address this study's aims, a research design that could capture Tasmanian wine producers' experiences of horizontal networks and collaborative marketing from multiple perspectives was deemed necessary. Furthermore, this study addresses gaps in the literature which reveal that a rich and in-depth understanding of inter-competitor collaboration within horizontal networks is still lacking. As such, the choice of methodology needed to be flexible so to permit the researcher to uncover new meanings as they arise. Because interpretive researchers study phenomena within the frame of reference of their participants (Burrell & Morgan, 1979), a qualitative research design was a suitable fit with this methodological approach. Further, when the aim is to describe and explain, rather than prescribe and generalise, a qualitative methodology becomes the preferred research approach (Lindgreen, 2008).

6.3.1 Qualitative research

Qualitative research differs from quantitative research through its emphasis on words rather than numbers, and its use of less-structured data collection and analysis methods (Creswell, 2009; Van Maanen, 1983). A qualitative research approach was considered appropriate for this study as the research endeavoured to obtain insight into horizontal networks and collaborative marketing, rather than measure the scale of such activity (Hanson & Grimmer, 2007). When emergent themes constitute a study's focus, researchers need to be flexible in their choice of research methods (Veal, 2005) and research design (Finn, Elliott-White & Walton, 2000). Accordingly, the qualitative research approach adopted here was necessary in order to represent the range of experiences and opinions of Tasmanian wine producers as closely as possible. A growing body of related literature supports the use of qualitative research to investigate horizontal and vertical collaboration between marketing firms (see, for example, Palmer et al., 2000) and the complexities and quality of inter-organisational relationships (see, for example, Lindgreen, 2001a).

One of the main strengths of qualitative research is that the findings are free to unfold and emerge through the intimate relationship between the researcher and the phenomena being studied (Guba & Lincoln, 1994). Through the application of qualitative methods, researchers can interpret the perspectives and experiences of multiple individuals in their natural environment, and therefore accurately capture the meaning people bring to what is being studied (Denzin & Lincoln, 2005). Thus, the closer the researcher can get to their study's participants, the clearer the phenomena can be understood (Carson & Coviello, 1996; Hill, 1993; Merriam, 1988). To further accommodate such objectives, an embryonic research design was adopted, which facilitated an iterative approach to data collection and analysis. As such, slight changes to the methodology were possible, even after the researcher had entered the field and commenced data collection (Creswell, 2009).

6.3.2 Sampling strategy

Decisions regarding methodology should be grounded in the choice of the sample and what unit of analysis to study (Patton, 2002). Because the unit(s) of analysis determines what or whom the researcher observes, it exerts a strong influence over the methods employed (Babbie, 2005). In order to answer the research questions, data were collected from individuals involved in making decisions regarding the networking activities of Tasmanian wine producing firms; thus, the organisation was the primary unit of analysis. Consistent with the network interaction approach, it is the individuals representing these businesses who actually experience the complexities of inter-competitor relationships and collaborative marketing, although it is the organisations they represent that comprise business networks.

The implication of the qualitative methodology and interpretivist perspective adopted in this study is that data were collected from a relatively small sample of Tasmanian wine producers. Maykut and Morehouse (1994: 56) advise qualitative researchers to build a sample of cases that will permit a deep understanding of the phenomenon experienced. Creswell (2009) adds that qualitative researchers should carefully select respondents and

cases that will enable them to understand the research problem and answer the research question(s). For the purposes of this research, respondents were carefully selected from lists of Tasmanian wine producers that were members of horizontal networks and had participated in collaborative marketing activity. This information was drawn from attendance at industry events, informant interviews (see section 6.4.1), discussions with representatives of the industry's peak body, inspection of wine network materials, and desk research. A decision was made that wine producers who were participants at the 2009 Tasmania Unbottled roadshow would be approached first, as these producers were assumed to have a deeper understanding of the phenomenon being studied¹⁹. After entering the field, wine producers who were members of specific horizontal networks and some that were not, were also approached, as it was learnt that restricting the sample to just 2009 Tasmania Unbottled participants would produce a narrow picture of the phenomenon being studied. Selecting cases that are not necessarily central to the research phenomenon is also a way qualitative researchers can avoid sampling too narrowly (Miles & Huberman, 1994).

Emphasis was placed on obtaining a diverse sample of individual wine producers, who could provide a wide-ranging volume of qualitative data. The sampling method employed was therefore, purposive sampling, which involves units of analysis being selected on the grounds that they are likely to provide 'rich' data on the research problem (Marshall & Rossman, 1999; Patton, 2002; Shaw, 1999; Silverman, 2005). Researchers using this method must decide not only who or what to sample, but when to stop sampling (Mason, 2002). When making sampling decisions, researchers must ensure their purposive sample is diverse enough to allow comparisons between cases, and to identify reasons for any differences between the case settings or individual perspectives (Maxwell, 2005). In this study, rather than predetermining a sample size before entering the field, the selection of respondents was viewed as dynamic and interactive (Mason, 2002; Maykut & Morehouse, 1994). That is, only when the predetermined themes and issues were becoming 'saturated' with data (Glaser & Strauss, 1967) or redundant (Guba & Lincoln, 1994), did the

¹⁹ The Tasmania Unbottled roadshow is an annual event organised by Wine Industry Tasmania on behalf of its members. The event involves approximately thirty Tasmanian wine producers, who showcase their wines in combined public, and trade, wine tastings held in Melbourne, Sydney and Brisbane.

sampling actually cease. In the end, a larger proportion of wine producers who were members of horizontal networks were selected, than those that were not. This was because after interviewing two non-network producers, no new issues or themes were identified. Further, because many of the wine producers selected were members of a sub-regional network but not the state-wide network, these respondents were used to obtain comparative and disconfirmatory evidence (Silverman, 2005).

In addition to obtaining a sample of network and non-network producers, this research sought to obtain the perspectives of a range of different sized wine businesses, in order to ensure all possible antecedents to, and motivations for, collaborative marketing and horizontal networking were covered. To ensure this and other objectives were met, a set of sampling criteria were used in the selection process. In this study, the size of the wine producing business, the sub-region in which it was located, and the owner/manager's involvement in horizontal networks, were the main criteria used to select individual businesses. In most industries, businesses are grouped into the size categories of small, medium and large according to the number of full-time staff each employs. However, due to the seasonal nature of the wine industry, many wine businesses employ only casual or seasonal workers. Thus, the only full-time equivalents are the owners themselves. For this reason, a decision was made to classify Tasmanian wine businesses according to their production levels (i.e. their annual grape crush measured in tonnes), as this was deemed to be a more accurate representation of their resource capacity and position.

In defining this set of sampling criteria, this study used a classification scheme adapted from an ACIL Consultants' (2003) report on SMEs in the Australian wine industry. In addition to using their categories of small, medium, and large, a fourth category for wine businesses that were classified as 'boutique' was created. Prior to actually approaching prospective participants, the sampling strategy used in this study was approved by the University of Tasmania Ethics Committee.

Following this approval, approximately forty-five Tasmanian wine businesses were invited to participate in the study via an email to their owner or manager, which included

an information sheet on the study (refer to Appendix A). Some prospective wine businesses were also contacted via telephone, if an email address was unobtainable or a response to the initial email was not received within seven days. For most of the wine businesses, the owners were contacted. However, for some of the state's larger wine businesses, a marketing manager or executive was deemed to be a more appropriate contact. Chance meetings at wine industry events proved useful in approaching prospective wine businesses or following up with those who were yet to answer the research invitation. Very few Tasmanian wine businesses declined the invitation outright, but many were unreachable, and after several attempts to make contact, it was assumed that these businesses were not interested in participating. The final sample consisted of thirty-three respondents, who were representatives of the same number of licensed Tasmanian wine producing businesses. This group was deemed representative of the overall Tasmanian wine industry population, particularly in terms of business size and geographical location.

6.4 Data collection

The process and tools used to collect and analyse data are what translates a researcher's methodological approach into practice (Creswell, 2009). The dual-stage data collection process used in this study supports the notion of qualitative research being an iterative, recursive, and dynamic practice (Gibbs, 2002; Miles & Huberman, 1994). Furthermore, the process used in this study allowed the researcher to modify data collection by using the experience and knowledge obtained from earlier conversations (Gibbs, 2002). Due to the single industry focus of this research, findings were anticipated to be of a more specific and in-depth nature. Research that is guided by this objective usually seeks a comprehensive understanding of a small sample of cases (as described above), and is grounded in the context in which the group of companies operate (Carson et al., 2001). In order to achieve this level of knowledge, qualitative methods were thought to provide the appropriate type and amount of data required (Patton, 2002). However, Carson and Coviello (1996) argue that marketing researchers should employ a range of data

collection techniques, so that a „pool’ of knowledge develops. In line with this, in-depth interviews with industry informants and the collection of third-party documentation on the Tasmanian wine industry informed stage one; and in-depth interviews with Tasmanian wine producers constituted stage two.

6.4.1 Stage one: interviews with industry informants

In order to obtain some preliminary knowledge about the Tasmanian wine industry, and to assist in the development of an interview protocol for the second stage of data collection, four Tasmanian wine industry informants were approached for interview (refer to Appendix B for the industry informant information sheet). All four informant interviews took place in the summer of 2009, had an average duration of one hour and twenty minutes, and were transcribed by the researcher almost immediately after each were completed. Although a semi-structured interview schedule was used (refer to Appendix C), the conversations with industry informants were largely unstructured. This approach was considered useful as it allowed the informants to express their expert opinions and perspectives. In-depth interviews with industry informants also assisted the researcher in obtaining access to Tasmanian wine producers, who would be approached during the second stage of data collection. In this way, the industry informants acted as „gatekeepers’ to the industry, and offered their suggestions for specific wine producers to be included in the research sample. The informant interviews also granted the researcher a personal understanding of the research context prior to entering stage two. In addition, some of the main opportunities and challenges facing Tasmanian wine producers were identified, which could subsequently influence their perception of horizontal networks and collaborative marketing.

The first industry informant to be interviewed was an award-winning Tasmanian winemaker and industry pioneer with over twenty years experience in the industry. The second and third were both experienced wine journalists and wine educators, who had each authored publications on the Tasmanian wine industry. The fourth was the

independent Executive Officer of the state's peak wine body, who, at the time, had been actively involved in marketing and promoting Tasmanian wine for around three years.

6.4.2 Stage one continued: industry documentation and secondary data

Interviews have been criticised for their use as a standalone data collection method (Patton, 2002). As Silverman (2005) suggests, it can be a mistake to treat the verbal formulations of a subject's behaviour as a valid substitute for actual observation of that behaviour. Hence, in this study industry documentation was collected, and secondary data on horizontal networks, Tasmanian wine producers, and their marketing activities, was reviewed. Participant observation was also carried out at a number of industry-related events including local and national wine shows, industry seminars, and marketing planning days (for a full list of events, see Appendix D).

Previous researchers have highlighted the relevance of observation, particularly in entrepreneurial and network research (Bollingtoft, 2007; Jack et al., 2010). In this study, attendance at industry-related events granted the researcher an opportunity to „network' with Tasmanian wine producers, and learn about the context of the study. Informal discussions with Tasmanian wine producers at some events also granted the researcher an opportunity to discuss the objectives of her study, and obtain contact details which were subsequently used in the selection of cases.

In further support of the interview data to be obtained in stage two, network materials, industry reports, and news articles relating to the Tasmanian wine industry were also obtained. These secondary data were primarily sourced via desk research of websites relating to the sample of Tasmanian wine businesses and their networks, and media coverage of the local and national wine industry. The member newsletter published by Wine Industry Tasmania, which the researcher subscribed to, was also a noteworthy secondary source of information.

Collecting this range of secondary data related to the research context served two main purposes in this study. Firstly, the secondary data provided additional sources of information and a chain of evidence (Yin, 1984), thus permitting an introduction to the type of findings to emerge from the second stage of interviews with wine producers. Secondly, ongoing examination and analysis of the secondary data, particularly the documents compiled by the businesses, assisted the researcher in developing a solid understanding of the nature and structure of the Tasmanian wine networks under study. Bryman (1995) and Pettigrew (1995) encourage the use of archival data to supplement those collected via other means such as observations and interviews. Similarly, Creswell (2009) advises researchers to collect qualitative documents such as newspaper clippings, official reports, or personal letters and emails throughout the entire research process.

6.4.3 Stage two: in-depth interviews with wine producers

Stage two of the data collection process involved in-depth interviews with thirty-three Tasmanian wine producers. Of all the qualitative research methods, the in-depth interview is probably the most widely used by social science researchers (Mason, 2002). Obtaining qualitative data via in-depth interviews was considered useful for this research because the methodology was focused on understanding the research subjects' point of view and the meaning they attach to their real-world (Kvale, 1996). In-depth interviews also allow participants to describe, in their own terms, how and why they act in such a way (Bryman & Bell, 2007; O'Donnell & Cummins, 1999; Patton, 1987), thus enabling the researcher to understand not only the meaning, but the significance of horizontal networks and collaborative marketing. Further, in relation to section 6.2, qualitative interviewing facilitates the coproduction of knowledge and understanding, as well as close researcher and participant interaction (Mason, 2002).

Although the actual production of wine is considered, for the most part, a manufacturing activity, the wine industry is possibly unique because producers often engage in activities across the primary (grape growing), secondary (winemaking), and tertiary (wine

marketing) sectors (ACIL Consultants, 2003; Carlsen, 2004). Thus, the timing of data collection is critical for research involving businesses from the wine industry (Sellitto, 2006). In Tasmania's case, the main grape growing and harvesting activity takes place between the months of February and May. Tasmanian wine producers with cellar doors experience another 'peak' season in December and January, as this coincides with Tasmania's summer and main tourist intake. Equipped with this knowledge the researcher endeavoured to schedule interviews during the 'down time' for most Tasmanian wine producers (i.e. June through to November). Subsequently, stage two of the data collection commenced in September 2009 and concluded in late January 2010.

6.4.3.1 The interview schedule

Prior to the interviews with the wine producers taking place, priority theory from extant literature was reviewed, and colleagues and industry informants were consulted. The information obtained from this process was then incorporated into the interview schedule. Kvale (1996) advises researchers to develop a strong conceptual and theoretical understanding of their topic area, prior to the tape recorder being turned on. 'Hanging out' in the study's environment also allowed the researcher to learn about the local language and power structures, and obtain a sense of what Tasmanian wine producers experience in their daily lives (Kvale, 1996).

Although some academics question the use of prior theory in qualitative research, it does present value in terms of guiding the collection of data, particularly in an interview situation (Lindgreen, 2008). In stage two, a semi-structured interview schedule was developed (refer to Appendix E). This allowed pre-specified themes to be drawn from theory, but also enough scope for the researcher to probe further the interviewee's responses, and seek clarification and elaboration of new themes (Finn et al., 2000). Curran and Blackburn (1994) add that semi-structured interviews are particularly effective for collecting the opinions and perspectives of owner/managers of small firms, which the majority of the sample were classified as here. When using a semi-structured

interview schedule, the interviewer normally introduces an issue or theme area to be explored, and then leaves it to the respondent to provide answers, new information and new angles on the topic (Kvale, 1996). However, some degree of formalisation should be maintained during the interviewing process (Brito, 1999).

In stage two, the semi-structured schedule served as a „checklist’ of areas to be covered during each interview (O’Donnell & Cummins, 1999). This allowed each question to be shaped to suit the circumstances of each individual wine producer (Veal, 2005), whilst ensuring each interview was kept within a reasonable time limit. Throughout each interview, supplementary questions were used, if necessary, as a means of probing the interviewee to explain their answers (Veal, 2005). Overall, the wine producer’s answers dictated the order and flow of questions.

Given the exploratory nature of this research, it was important interviewees had the freedom to develop topics and discuss issues not in the interview schedule, but still provide their understanding and perception of issues raised in prior theory (Perry, 1998). To help facilitate this, each interview commenced with a general discussion of the producer’s wine business and the general state of the wine industry. This allowed the researcher to obtain background information on each wine producer, and to establish a good rapport with the interviewee (Mitchell, 1993). Although the primary focus of the interview was to obtain the wine producer’s perceptions and experiences of horizontal networks and collaborative marketing, interviewees were encouraged to also express their views on what made the industry successful, what key threats and opportunities were present, and how collaboration and networks had advanced the reputation of the industry as a whole. At the end of each interview, interviewees were asked if they would like to review the interview transcript. Only three of the thirty-three wine producers interviewed agreed to this offer. For those who obliged, the verbatim transcripts were promptly emailed to each respondent with a request for them to check that the transcript corresponded with their recollection of what was discussed, and the manner in which things were said. Of the three transcripts sent out for review, no changes were requested.

Due to the nature and objectives of qualitative research, data are best collected in an environment where the social phenomena occur naturally (Shaw, 1999). Moreover, conducting interviews in surroundings familiar to the respondent can contribute to a more relaxed and open discussion (Mitchell, 1993). In this study, almost all of the interviews with wine producers were conducted in their natural environments, that is, their cellar door, winery, or office premises. Also, many interviews were followed by a tour of the vineyard and production facilities, and in some cases, a guided tasting of the producer's wines. Of the thirty-three interviews with wine producers, only two were conducted at a public place (i.e. a restaurant or coffee shop) and this was for reasons of convenience.

The average duration of all the interviews with wine producers was just over an hour. All interviews were recorded with a digital voice recorder, and reflective notes and observations were handwritten as soon as practical or recorded onto the end of the interview tape and later transcribed. The wine producers were all given prior warning that the interviews, with their permission, would be audio recorded, and in all cases, they responded positively to this. One of the main reasons for this is because recording interviews reduces the chance of measurement error (Mitchell, 1993). In this study, the audio files also produced an accurate record of each interview that could easily be referred back to if need be. Furthermore, recording the interviews allowed the researcher to engage with the interviewee and the conversation being had, rather than be distracted by having to take extensive written notes.

The interview recordings were transcribed by the researcher shortly after each interview took place. This not only contributed to the accuracy of transcription, but also allowed for particular responses or themes to be followed up with the interviewee, or included in future interviews. Transcribing all the interviews herself also enabled the researcher to take advantage of her direct recollection of the interview, and include any mental notes within the transcript that would provide additional insight when data analysis was commenced. Furthermore, transcribing the interviews herself resulted in preliminary analysis of the data during the transcription phase, which ultimately facilitated the discovery of emergent themes as the data were being collected. This knowledge not only

improved the understanding of the industry, but allowed common themes to be identified as they evolved, which resulted in more sophisticated and in-depth discussions taking place with future interviewees.

6.5 Data analysis

In most qualitative research projects, data analysis is an ongoing process that, in many ways, overlaps with data collection (Carson et al., 2001; Marshall & Rossman, 1999). Because qualitative research generates a large amount of data very quickly, researchers are confronted with hundreds, if not thousands, of pages of interview transcripts, field notes and other written documents (Miles & Huberman, 1994). The absence of a well-formulated method for analysing qualitative data adds to the analysis stage being considered a fairly daunting task (Miles & Huberman, 1994). In overcoming these potential issues, this study used Computer Aided Qualitative Data Analysis Software (CAQDAS), and preliminary codes that were drawn from the literature, informant interviews, or the interview schedule. Preliminary data analysis began when the researcher commenced her informant interviews in stage one, and did not end until the write up of the research project was complete. During the initial phase of stage two, the researcher began simultaneously analysing and interpreting the perspectives of those she was interviewing. After conducting the first fifteen wine producer interviews, the interview schedule was modified in order for it to be more reflective of the major themes and issues the researcher had encountered during these initial stages. In effect, raw data were being initially coded and interpreted as further data were collected (Carson et al., 2001).

Silverman (2005) is one of many qualitative researchers who advocate this iterative approach, particularly in relation to doctoral research. A number of other scholars support the practice of overlapping the data collection and analysis stages. For example, Lofland, Snow, Anderson and Lofland (2006) explain that fieldwork involves a complex overlapping and interweaving of data collection, data focusing, and data analysis.

Marshall and Rossman (1999) add that through checking and testing ideas at the same time, researchers can exercise control over emerging themes and the direction of their research. On a more practical level, the sheer volume of raw data collected via more than thirty in-depth interviews suggests it is not wise to delay analysis until data collection has been fully completed (Shaw, 1999). Once interviews were completed, the researcher re-read every transcript in order to identify any potential spelling mistakes and to ensure the use of acronyms or jargon was consistent. These Word documents, along with any reflective notes taken during or after the interviews or at industry events, were then prepared for the more formal stage of data analysis.

With the assistance of CAQDAS, the data resulting from stage two of data collection were formally analysed through a process of data reduction, data display, and conclusion drawing and verification (Miles and Huberman, 1994). In this study, QSR NVivo Version 8 was the CAQDAS program used. Its main purpose was to facilitate coding through data reduction, and to keep track of the researcher's thoughts and interpretations as the data analysis process evolved (Fielding & Lee, 1998). Gibbs (2002) describes the role of CAQDAS, such as QSR NVivo, as more akin to that of a database. First and foremost, it enables researchers to electronically record their thoughts, ideas and outcomes of analyses in a much more efficient and rigorous way (Bazeley, 2007). CAQDAS also aids the transparency of the analysis process, through facilitating text searches, data counts, identifying negative cases (Silverman, 2005) and recording the source details (Wickham & Woods, 2005). However, the interpretation of the data, and many of the analytical procedures, should still be performed by the researcher and not just the computer (Bazeley, 2007; Bryman & Bell, 2007).

6.5.1 Data reduction

Arguably the most popular method for analysing qualitative research data is coding. In essence, coding involves organising and sorting raw data into categories based on the research concepts and the researcher's interpretations (Coffey & Atkinson, 1996; Gibbs,

2002). However, when used properly, the process of coding is quite complicated and time consuming. That is, sophisticated coding involves conceptualising the data, questioning the data, providing provisional answers to the research questions, and opening up the data to a whole other set of analytical possibilities (Coffey & Atkinson, 1996).

Prior to entering the data reduction stage of analysis, Miles and Huberman (1994) advise researchers to begin with a preliminary set of codes that derive from the theoretical framework, research questions, problem areas, and key variables the researcher has an interest in. In this study, preliminary codes related to Research Questions One and Three were drawn from the theory and literature on horizontal networks and inter-organisational relationships. With regard to Research Question Two, which focused on the specific types of collaborative marketing activity, meaningful codes emerged from the data. Although the literature offers some insight into the types of collaborative marketing agri-food and tourism producers use, a key theme to emerge from the data was the value of collaborative marketing events and promotional activity. In addition, separate nodes were created as new forms of collaborative marketing were coded. This allowed a list of the types of collaborative marketing Tasmanian wine producers engaged in to be devised, and comparisons made of the nature and benefits of each type of activity.

Writing memos and teasing out themes were also used during the data reduction stage. During the coding stage, appropriate categorisation schemes were also developed so that the properties of codes were clearly defined, and the allocation of data to these categories was more accurate and efficient. At the end of the data reduction phase, the coded data were retrieved and a report for each category was produced. Text that was either mistakenly coded at certain categories, or considered unnecessary detail, was removed to improve clarity. These reports were also used to identify key words, which were later inputted into text searches as a way of confirming the major theme areas. In addition, close inspection of each category report allowed the researcher to confirm or reject data from that category, which resulted in a more refined set of codes.

6.5.2 Data display

The most analytical part of the coding process lies in establishing and thinking about the linkages between the data categories (Coffey & Atkinson, 1996). As mentioned previously, once the transcripts were imported into the CAQDAS program, the raw interview data were classified into a set of codes. A process of reallocating these codes into „tree nodes’ represented the first step in data display (refer to Appendix F), as by doing so, themes and patterns within the coded data were identified, and any relationships across the code categories were explored. This is in line with Coffey and Atkinson (1996), who suggest that the first step in moving from coding to interpretation involves displaying the data in such a way that they can be read and explored easily. Similarly, Miles and Huberman (1994: 92) argue that data displays should be „focused enough to permit a viewing of a full data set in the same location, and arranged systematically to answer the research questions at hand’. By displaying the data in a visual format within the QSR NVivo program, in addition to comparing and contrasting the printed code reports, the researcher started to draw preliminary conclusions. Furthermore, the data display stage of analysis allowed the researcher to perform further coding where necessary. For example a preliminary node titled „horizontal networks’ evolved into four sub-categories following a second round of coding. The creation of these „child nodes’ was necessary given that numerous references were made to certain networks, such as the Tamar Valley Wine Route and WIT. Additionally, the data contained comments which were coded as either formal or informal networks, and as discussion of past industry groups that were of a horizontal nature. Coding the data in this way allowed for more straightforward comparisons to be made, and for key themes and ideas to emerge.

6.5.3 Conclusion drawing and verification

The final step in the analysis process was to draw meaning from the data contained in the tree nodes. Essentially this involved searching each tree node for key events and issues, and then identifying the underlying patterns of thought or behaviour (Hill, 1993). Miles

and Huberman (1994) suggest a range of different tactics for generating meaning from qualitative data, whilst Dey (1993) suggests playing with and exploring the data categories that have been created. In this thesis, taking note of patterns and themes, making contrasts and comparisons, and clustering the data were the main techniques used at this stage. Transforming the data into meaningful interpretations was performed by extracting key quotes and organising these in accordance with a range of theme areas. An electronic diary and memos were also kept, as a means of noting themes and patterns in the data as they emerged. This approach is advocated by Easterby-Smith et al. (1991) who suggest that diaries which contain a rationale for the research, emergent ideas and findings, and the opinions and attitudes of the researcher, are useful for recalling the process from which conclusions are drawn.

Comparisons of the data relating to each of the industry's three horizontal networks were also performed as a way of verifying conclusions and identifying any conflicting findings. Although CAQDAS facilitates some level of comparison within data, theory building is still an activity best reserved for the researcher's mind (Silverman, 2005). Thus, in this study, this procedure was performed with pen and paper in hand. Throughout the analysis process the researcher was also „on the lookout' for irregularities within the data. Such divergent cases or „negative' findings are equally important to the analysis process, as they allow the researcher to establish boundaries for their conclusions (Coffey & Atkinson, 1996). Delamont (2002) even suggests that researchers should seek data contrasts, paradoxes and irregularities, as much as they look for patterns, themes and regularities.

The preliminary conclusions, emerging concepts and themes derived from the analysis of interview data were then compared with the theory and research reviewed in Chapters Two, Three, Four and Five. Glaser (1978) and Glaser and Strauss (1967) highlight the importance of comparing current findings with those from previous studies as part of the overall conclusion drawing and verification process. By doing so, the researcher is able to improve the density and scope of their findings (Glaser, 1978). Here, the researcher compared the outcomes of data analysis with the literature, and noted any consistencies

and departures from previous theory. This process also helped to enhance the internal validity of the research findings, as will be discussed below.

6.6 Reliability and validity of the research findings

Many social scientists believe quantitative research is more valid and superior than qualitative research because of the structure and rigour of quantitative methods (Guba & Lincoln, 1994). Further, because qualitative research is largely interpretive, positivists argue its data lack reliability and validity (Liamputtong & Ezzy, 2005). In his widely cited article, Maxwell (1992) suggests that qualitative researchers are observers and interpreters of the world. Thus, they are inextricably part of their own research and cannot step outside of their own experiences in order to produce a completely independent account of what they experience. Instead, the resulting findings do not represent reality *per se*, but rather windows to reality (Perry, 1998). If interpretive researchers try to make their research more scientific, and hence in some ways, more reliable and valid, they risk imposing findings that simply do not fit with the social world as it is constructed (Denzin, 1988 cited in Seale, 1999). Therefore, in qualitative research, the criteria that are used for establishing reliability and validity are different from those typified by quantitative and positivist researchers (Kirk & Miller, 1986; Wigren, 2007). At a minimum, „quality matters in qualitative research’ (Seale, 1999: 2).

6.6.1 Reliability

In broad terms, reliability is concerned with the extent to which a result or finding would be consistent across repeated investigations in different circumstances, with different investigators (Gibbs, 2002). In other words, reliable research involves accuracy in the research methods for collecting and analysing data (Mason, 2002). Guba and Lincoln (1994), assert that qualitative data are reliable when they make specific reference to the meanings and purpose the participants attach to their behaviour. Thus, qualitative

research should be judged on the extent to which it is credible, transferable, dependable and confirmable (Lincoln & Guba, 1985). In ensuring their findings are ‚reliable‘, qualitative researchers should adopt a methodology that is not only appropriate to the research questions, but is thorough, careful and accurate (Mason, 2002). This should include high quality data from a range of sources and multiple data collection methods (Neuman, 2004). Further, qualitative researchers should carry out careful assessment of the data throughout the data collection and analysis process (Carson et al., 2001).

Including negative or disconfirmatory cases in their analysis and write up can also add to the reliability of a qualitative research project (Wigren, 2007). Similarly, in order to demonstrate the reliability of their research findings, qualitative researchers should document the methodologies they employ, and in their write up, be able to justify their appropriateness, merits and values (Carson et al., 2001).

Following the lead of these authors, multiple sources and methods of data were used in this study (see section 6.4). Although the researcher relied heavily on interview data, secondary data in the form of industry documents, news articles, and online sources, and attendance of industry events, played an important role in supporting the comments made by industry informants and wine producers. During every interview, a pre-determined interview protocol was also used. Furthermore, the three-stage data analysis process undertaken here using CAQDAS and informed by clearly conceptualised constructs, increases the reliability of the study findings (Carson et al., 2001).

6.6.2 Validity

Broadly, validity refers to the extent to which theories or explanations derived from the data are ‚true‘, and how accurately and correctly the researcher captures what is really happening (Gibbs, 2002; Silverman, 2005). The validity of qualitative research is contingent on the clarity in which the researcher demonstrates how their interpretations were reached (Mason, 2002). That is, if the research findings are valid, the researcher is observing, identifying and measuring what they say they are (Mason, 2002). In other words, validity itself is not inherent to any particular data collection method, but rather

relates to the data, interpretations and conclusions drawn from using that particular method (Maxwell, 1992).

One of the main forms of validity associated with qualitative research is descriptive validity. Descriptive validity is concerned with how accurate and factual a researcher's account of their data is (Maxwell, 1992), and how well a researcher's observations match up with their theoretical ideas (Bryman & Bell, 2007). In this research the following steps were taken to ensure this form of validity: all interviews were audio-recorded, and transcribed immediately after the interview taking place by the researcher. As well, notes were taken after the interview had taken place and these notes were referred to during the data analysis and write up of results. Others believe that the use of CAQDAS aids the validity of qualitative research because it makes it easier for researchers to sort through large volumes of data, check for negative cases, and ensure that text has been coded in a consistent and defined manner (Gibbs, 2002: 14).

A second form of validity is interpretative validity, which affects how accurate the researcher's account of the behaviour or beliefs belonging to people embedded with the research project is. Unlike descriptive validity, which can be either emic or etic, „interpretative validity necessarily pertains to aspects of an account for which terms are emic' (Maxwell, 1992: 289). Valid interpretation is therefore grounded in the language of research participants. Thus, researchers should, as much as possible, relay their understanding by quoting their participants' words and concepts in their write-up (Maxwell, 1992). As will be seen in subsequent chapters, a number of direct quotes from the interviewees appear regularly in the findings and discussion section of this thesis, thus, interpretative validity can be assured.

6.7 Ethical considerations

In addition to securing the reliability and validity of a study's findings, many authors acknowledge the importance of addressing ethical considerations in the process of

conducting social science research (Creswell, 2009; Neuman, 2004). Ethical issues often arise in the design and conduct of research, and the way in which findings are reported (Veal, 2005). First and foremost, researchers have a responsibility to protect the rights, needs and desires of their research participants. This obligation is somewhat intensified in qualitative research, because it typically involves gathering personal information from human subjects in their natural setting.

In this study, a number of precautionary measures were taken to protect the participants' rights and obligations, and ensure this study was carried out ethically. Firstly, long before sampling and data collection could begin, the research design and methodology had to be approved by the Human Research Ethics Committee (Tasmania) Network. Scripts for the initial email and telephone contact, information sheets, and preliminary interview schedules were all lodged with the University of Tasmania Ethics Committee as part of the approval process. The Committee then evaluated the proposed research design to determine the ethical risks posed by the study, and to ensure these were fully detailed in the study's information sheet and corresponding documents. This resulted in the Committee declaring that the minimal risk application was very clear, and thus ethics approval was granted with only minor revisions to the information sheet.

In addition to obtaining ethics approval, this study followed the lead of Bryman and Bell (2007), who emphasise the importance of giving prospective participants as much information as is needed to make an informed decision regarding whether or not they should participate. Some scholars, however, caution researchers from providing their prospective participants with too much information about the research objectives, as this may subsequently alter their subject's behaviour and answers to interview questions (Roth, 1970, cited in Lofland et al., 2006). Here, the study's background, general purpose, and ethical considerations were articulated in writing and emailed to both industry informants and wine producers via a formal information sheet at the time of invitation (see Appendices A and B for copies of these documents). This information was also clarified verbally over the phone or email, if and when the participant agreed to an interview. At the time of interview, the following steps were carried out to ensure

participants were well informed about the study. Firstly, the interviewee was handed a printed copy of the information sheet, and was given a chance to ask any questions prior to the interview commencing. Secondly, the interviewee was asked to sign two copies of a consent form. One of these was collected by the researcher, and the other was given to the interviewee for their own records. Thirdly, the interviewee was asked if they would like a copy of the interview transcript upon completion, and fourthly, the interviewee's permission to audio record the interview was obtained.

After Neuman (2000) and Hill (1993), all information and material provided during the course of the study was treated in a confidential manner, and the researcher chose to disguise the identity of informants and producers appearing in this thesis. In doing so, a labelling system of Producer 1, 2, 3 and so on was used. This was considered appropriate because it still allows the reader to keep track of quotes included in the write-up, while maintaining the respondents' rights to anonymity. If respondents referred to individual or company names in the course of conversation, these were also concealed in the write-up. Any additional information that served to identify interviewees and their responses, such as their firm's location, was also removed during the writing up phase and will remain absent in any future publications. This helped to assure interviewees that their rights to privacy, anonymity and confidentiality will be maintained during and after the research project is complete and this thesis is submitted.

6.8 Limitations of the methodology

As with any social science study, there are perceived limitations associated with the particular approach and procedures used. For qualitative research, these limitations largely derive from the use of unstructured data collection methods and the inductive approach to knowledge building and understanding. Given the aims of the study and the relatively small size of the research population, many of the traditional methods associated with quantitative research, such as surveys and statistical analysis, would have been inappropriate. Instead, qualitative interviews supported by desk research yielded an

appropriate amount of rich data related to the research area. Furthermore, the use of CAQDAS during the analysis phase permitted the researcher to easily document her findings and thoughts as they emerged, and perform a number of data analysis checks prior to reporting the findings.

It should be noted that qualitative research which relies heavily on interview data can pose problems with internal generalisability (Maxwell, 2002). When researchers ground their findings and interpretations in only interview data, they may omit aspects of their participants' actions and behaviour that occur outside of the interview situation (Maxwell, 2002). In order to avoid this, stage two of this study's research design was supported by the collection of secondary data and attendance at a number of industry events, where the researcher could observe the participants' actions and behaviour first hand. These two additional sources of information allowed the researcher to develop a preliminary understanding of the horizontal networks within the Tasmanian wine industry, and place the interview data in context of what is naturally occurring. A further concern was expressed by Hill (1993), who argued that by being present in the field qualitative researchers may actually be changing its natural state. For this reason, the researcher stayed in the background when attending industry events and local network wine shows, so the focus was on observing the network activity, rather than potentially influencing what was occurring.

A final limitation associated with qualitative research is the possibility of interviewer bias (Miles & Huberman, 1994). Throughout the research process, qualitative researchers must select data that fit with their existing theories and preconceptions, and those which stand out as irregularities. Both these tasks involve the subjectivity or bias of the researcher (Maxwell, 2005). Because qualitative research is not concerned with eliminating variance and generalising findings to a wider population, researchers can address this limitation by explaining their possible biases and maintaining integrity (Maxwell, 2005). In this thesis, the researcher was a newcomer to the wine industry herself, thus she had little knowledge of the industry and its participants prior to commencing the study. She had, however, grown up in Tasmania and did know some of

the interviewees personally through living in the same area. Further, she had engaged in informal discussion with a small number of participants at industry events prior to conducting interviews with them. This experience may have led to certain conclusions or interpretations being drawn, however, the researcher addressed these by following a strict interview procedure.

6.9 Chapter summary

This chapter commenced with a discussion of the assumptions regarding the ontology and epistemology of the interpretive research perspective adopted in this study. The focus then moved to the research methodology that was adopted, which incorporated a section on research design and qualitative research. The procedures used to select the research sample were described, prior to an in-depth discussion of the dual-stage data collection process employed. The procedure followed in the analysis of data was also outlined, in addition to the overall iterative approach being justified. An important part of any social science research project is to address concerns of reliability and validity. As such, the procedures used to ensure the research findings were both reliable and valid were justified. In addition, this chapter canvassed the ethical considerations relating to the project, and the possible limitations associated with methodology used. The main findings which derived from the study will now be identified and discussed in the following chapters.

CHAPTER SEVEN

FINDINGS AND DISCUSSION PART ONE

7.1 Introduction

This chapter presents the first part of a findings and discussion section based on the research questions articulated in Chapter One. This chapter specifically focuses on research question one, which was why Tasmanian wine producers join horizontal networks. The chapter begins with a descriptive account of the Tasmanian wine producers involved in the study and their networks. This provides an opportunity to apply the conceptual framework and network characteristics reviewed earlier, to the horizontal networks identified in the Tasmanian wine industry. As part of an ongoing discussion, the nature of interaction within Tasmania's wine industry networks will be interpreted. Secondary data sourced from industry publications, media articles, and government sources will also be referred to throughout the chapter, in support of the main research themes and analytical discussion.

7.2 Tasmanian wine producers involved in the study

A total of thirty-three individual Tasmanian wine producers were involved in this research. As highlighted in Chapter Six, these businesses ranged in terms of their general characteristics, and the horizontal networks of which they were members. For each wine business, one representative was interviewed. In almost all cases, this was the owner. In the remaining cases, the representative was in a position of seniority, such as a Chief Executive Officer or Marketing Manager. Table 7.1 summarises the characteristics of the wine businesses that took part in this research, which are hereafter labelled as Producer 1, Producer 2 and so on. Data used to identify the characteristics of the research sample were collected via interviews with Tasmanian wine producers, and then later confirmed by consulting secondary sources, such as the *2010 Australian and New Zealand Wine*

Industry Directory, the websites of various wine producers, media articles, and government sources, such as the Department of Primary Industries and Water website.

Analysis of the data contained in Table 7.1 overleaf revealed that the characteristics of the research sample were representative of the Tasmanian wine producer population, most notably in terms of business size. Of the thirty-three wine producers interviewed, eleven were boutique-sized wine businesses (i.e. they crushed less than twenty tonnes of grape per annum), seventeen were classified as small businesses (i.e. they crushed between twenty and two hundred and fifty tonnes of grape per annum.), four medium (i.e. they crushed between two hundred and fifty and 1000 tonnes of grape per annum), and one that crushed just over 1000 tonnes of grape per annum, thus placing it in the large business category. Table 7.1 also reveals a fairly even split between wine producers that use contract winemakers, and those that have the facilities and expertise to make wine in-house. Moreover, there was an even split between producers serving local, domestic and international markets. The majority of wine producers interviewed were based in the Tamar Valley. However, this is consistent with the information presented in Chapter One, which is that the Tamar Valley is Tasmania's largest wine region both in terms of wine producer concentration and production levels.

Table 7.1 Characteristics of the wine producers interviewed

Participating wine business	Annual crush (tonnes)	Business size	Years of operation	Sub-regional location	Network involvement	Cellar door facilities	Winemaking	Markets they operate in
Producer 1	10-19	Boutique	23	Tamar Valley	WIT, TVWR	No	Contract	Local and domestic
Producer 2	1000-2499	Large	16	Tamar Valley	WIT, TVWR	Yes	In-house	Local, domestic and international
Producer 3	50-99	Small	27	Tamar Valley	WIT, TVWR	Yes	In-house	Local and domestic
Producer 4	250-499	Medium	4	Tamar Valley	WIT, TVWR	Yes	In-house	Local, domestic and international
Producer 5	20-49	Small	17	North West	WIT	Yes	Contract	Local and domestic
Producer 6	250-499	Medium	6	Tamar Valley	WIT, TVWR	Yes	In-house	Local, domestic and international
Producer 7	500-999	Medium	30	Tamar Valley	WIT, TVWR	Yes	In-house	Local, domestic and international
Producer 8	20-49	Small	5	Tamar Valley	WIT, TVWR	Yes	In-house	Local, domestic and international
Producer 9	20-49	Small	21	Southern	WIT	Yes	Contract	Local only
Producer 10	20-49	Small	9	Southern	WIT	No	Contract	Local and domestic
Producer 11	50-99	Small	25	Southern	WIT	Yes	Contract	Local, domestic and international

Producer 12	100-249	Small	12	Southern	WIT, WineSouth	No	Contract	Local, domestic and international
Producer 13	10-19	Boutique	2	Southern	WIT, WineSouth	No	In-house	Local and domestic
Producer 14	500-999	Medium	20	Southern	WIT	No	In-house	Local, domestic and international
Producer 15	20-49	Small	11	Southern	WIT, WineSouth	Yes	Contract	Local and domestic
Producer 16	100-249	Small	20	Southern	WIT, WineSouth	No	Contract	Local, domestic and international
Producer 17	20-49	Small	13	Tamar Valley	WIT	Yes	In-house	Local only
Producer 18	10-19	Boutique	6	Tamar Valley	WIT	Yes	Contract	Local and domestic
Producer 19	20-49	Small	3	Tamar Valley	WIT	Yes	In-house	Local and domestic
Producer 20	20-49	Small	12	Tamar Valley	WIT	Yes	Contract	Local and domestic
Producer 21	Less than 10	Boutique	19	North West	None	Yes	In-house	Local only
Producer 22	Less than 10	Boutique	11	Tamar Valley	WIT	No	Contract	Local only
Producer 23	Less than 10	Boutique	10	Tamar Valley	WIT	Yes	In-house	Local only

Producer 24	10-19	Boutique	20	Tamar Valley	WIT	Yes	Contract	Local and domestic
Producer 25	20-49	Small	23	Tamar Valley	TVWR	Yes	Contract	Local only
Producer 26	20-49	Small	22	Tamar Valley	WIT	Yes	Contract	Local only
Producer 27	10-19	Small	12	Tamar Valley	TVWR	Yes	Contract	Local only
Producer 28	Less than 10	Boutique	19	Tamar Valley	None	No	In-house	Local only
Producer 29	10-19	Boutique	14	Tamar Valley	TVWR	Yes	Contract	Local only
Producer 30	20-49	Small	11	Southern	WIT, WineSouth	Yes	Contract	Local and domestic
Producer 31	100-249	Small	20	East Coast	WIT, WineSouth	Yes	In-house	Local, domestic and international
Producer 32	50-99	Small	37	Southern	WIT, WineSouth	Yes	In-house	Local, domestic and international
Producer 33	10-19	Boutique	5	Tamar Valley	WIT, TVWR	Yes	Contract	Local only

A large number of the participating wine businesses were members of more than one network, which resulted in the research sample having a range of experience with collaborative marketing and networking, at both a local and state-wide level. It also revealed some interesting differences between how Tasmanian wine producers perceived the different horizontal networks they were (or had been) involved with, a point which will be explored in more detail later. Twenty-eight of the thirty-three wine producers interviewed were members of Wine Industry Tasmania (WIT)²⁰. A further nineteen were members of Tasmania's largest sub-regional network, the Tamar Valley Wine Route (TVWR), and seven were members of the southern-based wine group, WineSouth. Two participants were not members of any present-day networks, however, both had been members of the industry body prior to WIT.

7.3 Horizontal networks in the Tasmanian wine industry

Within the Tasmanian wine industry, formal networks between wine producers at a state-wide and sub-regional level represented the most prominent form of inter-organisational collaboration. Based on analysis of interview data, and inspection of secondary sources, three separate horizontal networks were found to be active at the time of data collection. All three of these networks operate with voluntary membership requirements, which mean that Tasmanian wine producers are free to join and leave the state-wide, or their sub-regional network, as they please. Two of the networks, WIT and the TVWR, are classified as formal networks, because they have a clear hierarchical structure, agreed marketing objectives, a strategic plan, and a strict code of conduct that governs the behaviour and actions of network members. The third network, WineSouth, was found to be more of a semi-formal network, because it does not use formal rules or procedures to govern the behaviour of its members, it does not appear to follow an agreed strategic or marketing plan, and its members do not appear to meet regularly. The characteristics of

²⁰ Wine Industry Tasmania is now known as „Wine Tasmania’, after officially changing its name in August 2010. At the time of data collection, the network was known as Wine Industry Tasmania, hence the use of the WIT acronym in this thesis.

the three present-day horizontal networks are summarised in Table 7.2 below, and then discussed in the sub-sections that follow.

Table 7.2 Horizontal networks in the Tasmanian wine industry

	WIT	TVWR	WineSouth
Size of network at the time of data collection	88 wine producers state-wide	30 wine producers from the Tamar Valley	Approximately 20 wine producers from the southern region and east coast
Geographic coverage*	State-wide: open to all Tasmanian wine producers, vineyard owners, and winemakers	Sub-regional: open to Tamar Valley wine producers only	Sub-regional: open to wine producers in the broader Southern and East Coast wine regions
Year the network was established	2006	1992	Around 1999
Network aims or mission	Peak representative body for Tasmanian grape growers and winemakers	Maintain local wine route and pursue collaborative marketing opportunities for its Tamar Valley members	Organise wine and tourism events, primarily for its southern members.
Governance structure	Formal: independent, non-profit organisation run by a volunteer board of independent and member directors; and two full-time staff members	Formal: incorporated association run by a voluntary governance committee and one part-time staff member	Semi-formal: marketing association run by a voluntary governance committee - no paid staff members
Number of study participants involved in network	28	19	7

* State-wide infers that the network is open to wine producers and grape growers from all of Tasmania's four major sub-regions, while sub-regional infers that the network is restricted to wine producers located in a specific geographic area, such as the Tamar Valley.

7.3.1 Wine Industry Tasmania (WIT)

One of the most active horizontal networks in terms of collaborative marketing to emerge between Tasmanian wine producers is WIT. Established in 2006, this network is the current wine industry association, although membership remains voluntary. It is the largest formal horizontal network of wine producers in Tasmania, with eighty-eight ordinary members²¹ located throughout Tasmania's four sub-regions (Tamar Valley, North West, East Coast, Southern).²² WIT's role is to be the official body representing Tasmanian grape growers and winemakers. It encourages its members to work together to achieve the shared objective of Tasmania being recognised as a world leader in the sustainable production of cool climate wine (Wine Industry Tasmania, 2010a). As Tasmania's only peak body, WIT is responsible for maintaining the standards appertaining to the production and sale of Tasmanian wine, and for organising collective marketing programs that promote its members. It organises special wine industry seminars and events, facilitates joint participation in marketing activities, manages public relations on behalf of the industry, and recently announced it was hosting the 8th International Cool Climate Symposium for Viticulture and Oenology in Hobart in February 2012.

According to WIT's 2008-2010 Strategic Plan, the network's four main activity areas lie in marketing and promotion, member services, advocacy, and technical research and development (Wine Industry Tasmania, 2008). The strategic direction of these activities is overseen by the board. The operational element, and organisation of marketing activities such as Tasmania Unbottled, is then overseen by a sub-committee of volunteer, ordinary members. Sub-committees within WIT are based around marketing events, wine tourism, industry development, and technical research.

²¹ „Ordinary members must be a corporate entity or an individual with a professional involvement in the production of grapes and/or grape wine in Tasmania, and/or the marketing of Tasmanian wines which they have produced. This category is open to vineyard owners, wine producers, and winemakers, and has an annual fee of just over \$400. The WIT network also includes around thirty associate members, who have interests in the wine industry. These include, but are not limited to, distributors, wine writers, educators, grape or wine researchers, commercial suppliers to the wine industry, and passionate consumers. Associate members do not have any voting rights; however, they do still pay a small membership fee.

²² This number of members is based on that which was reported in the 2009/10 Chairman's Report for WIT.

As a non-profit and independent organisation, WIT's activities are financed primarily by membership levies. However, additional funding and support is sourced from the network's industry partners, and state and federal governments. The management of WIT is overseen by a board of seven directors, of which three are independent (i.e. not representatives of member wine businesses), and four are ordinary members. The network employs one full-time chief executive officer (CEO), one part-time project officer, and one part-time finance officer. All four paid-positions, and the network's headquarters, are based in Hobart. WIT's full-time CEO is responsible for the overall direction, prioritisation, and implementation of WIT's activities across operational, financial, communication and human resources. It should be noted that the CEO has no direct involvement or commercial interest in the Tasmanian wine industry.

The WIT network is organised in accordance with a formal governance structure, whereby Tasmanian wine producers and grape growers have the choice of purchasing one of three levels of membership, in addition to paying their ordinary membership levy²³. These additional membership levels dictate what marketing activities the wine producer can participate in, and the resources and information to which they have access. Tasmanian wine producers can also choose to participate in WIT's national or international marketing programs.²⁴ Membership of these later programs further stipulates the type of marketing activities Tasmanian wine producers can engage in. For example, Tasmanian wine producers with a national marketing membership level are given priority access to interstate trade representatives, and the opportunity to participate in the annual „Visiting Journalist Program'. On the other hand, wine producers with an international marketing membership level are given priority access to international and export marketing and trade missions, and international trade representatives and

²³ Level 1 membership is for wine producers with cellar doors that have guaranteed and regular opening hours, and costs just over \$1000 a year. Level 2 is for wine producers with cellar doors that do not have regular opening hours, and costs just over \$400 a year. Level 3 is for wine producers that do not have cellar doors, but still wish to have their contact information listed in the Tasmanian wine routes brochure and WIT website. This last level costs nearly \$200 a year.

²⁴ The national marketing membership category is for wine producers that are currently retailing or marketing their wines in the national marketplace, or rely on direct sales to mainland Australia consumers. Membership of this category costs an additional \$934 a year. The international marketing membership category is for wine producers currently, or about to be, retailing or marketing their wines in export markets. Membership of this category costs an additional \$1248 a year.

journalists wherever possible. All ordinary members of WIT, regardless of their membership level and marketing category, are invited to participate in the network's major national marketing and promotional activities, such as the annual Tasmania Unbottled roadshow and the annual Tasmanian wine route brochure (refer to Image 2 and Image 4, Appendix G). Every member is also invited to production and marketing-oriented seminars and field days hosted by either third parties, or members of the network with expertise in the respective area. In addition, all members receive regular news and communication through the network's electronic bulletins and the bi-monthly newsletter entitled *Harvest*.

7.3.2 The Tamar Valley Wine Route (TVWR)

Certainly the oldest, but also possibly the most independent, horizontal network found to be active in the Tasmanian wine industry was the Tamar Valley Wine Route (TVWR). The TVWR was formed in 1992 by a small group of local winemakers, who had the shared aim of establishing a local wine route and complementary signage, similar to that operating around the Niagara Falls. The TVWR, therefore, has a strong wine tourism focus. However, the network's role has been recently extended to now incorporate the promotion and branding of all Tamar Valley wines, not just Tamar Valley cellar doors. To achieve these objectives, members of the TVWR work together across a range of marketing areas, which include an annual wine and food two-day festival (refer to Image 1, Appendix G), a separate wine touring brochure containing information only on the cellar doors in the Tamar Valley region (refer to Image 5, Appendix G), and the production of joint promotion and branding materials. Less formal examples of collaborative marketing are also present within this network. These include, but are not limited to, customer referrals between vineyards, joint distribution, product bundling, and resource sharing agreements between smaller groups of wine producers. A more detailed discussion of the types of collaborative marketing TVWR members engage in is covered in Chapter Eight.

At the time of interviews, the TVWR comprised thirty wine producers,²⁵ of which twenty-three were also members of the state-wide network, WIT. Similar to WIT, the TVWR is governed by a board of volunteer owner/managers. Sub-committees have also been formed, which allow the network to carry out otherwise time-consuming activities, such as organising the annual wine and food festival, and developing the website. In 2009, the TVWR employed its first paid employee in a part-time executive officer position. This was in response to network growth, and the need for an external representative to manage discussions at network meetings and attend to administrative and marketing matters. It should be noted that the appointment of a part-time executive officer was also fundamental to the TVWR being awarded a \$100,000 AusIndustry grant in 2010, which will see the network develop a commercially recognisable brand for the Tamar Valley.

7.3.3 WineSouth

The third horizontal network found to be engaging in collaborative marketing was WineSouth. WineSouth is the smallest of the sub-regional networks in the Tasmanian wine industry. At the time of data collection, this network comprised approximately twenty wine producers²⁶. Thus, representing vineyards located within the broader Southern and East Coast wine regions of Tasmania. Nearly all WineSouth members are members of WIT. However, compared to WIT and the TVWR, WineSouth resembles more of a semi-formal network. While it is governed by a board of volunteer owner/managers, the network does not hold regular meetings, nor does it produce a wine touring route brochure or other marketing materials. Instead, the network's primary focus is to organise two main wine tasting events each year, and facilitate joint stalls at various Southern Tasmanian music festivals and agricultural shows.

²⁵ This number is based on the number of individual grape growers and wine producers listed on the TVWR website, <http://www.tamarvalleywines.com.au/wineroute.html>. This information was accessed on the 8th of November, 2010. This number may have since increased due to new entrants opening cellar doors in the region.

²⁶ This number is based on interviews with members of WineSouth.

Few examples of collaborative marketing outside of these events were found to be present within the WineSouth network. One possible reason for this is because WineSouth and WIT are both based in the south of the state. Moreover, in comparison to the TVWR, WineSouth members are located within long distances from each other. This was found to severely restrict the opportunities for an effective wine touring route to be developed. Despite this, this study found that WineSouth members coordinate and cooperate in the areas of event planning, maintaining some generic signage, and providing some referrals between cellar doors.

7.3.4 Informal networks and past industry associations

Analysis of the interview data also showed that Tasmanian wine producers were part of many informal networks. These had largely formed for technical or viticultural purposes or around a particular varietal category, such as a forum between grape growers and winemakers of pinot noir. In Tasmania's North West wine region, an informal network between North West wine producers was evident, and the data suggest that this could evolve into a more formal arrangement if growth in the region continues. One of the key reasons for this informal network evolving is because producers in this region have restricted access to other horizontal networks within the state. North West wine producers are entitled to join the industry body, WIT, however, very few do, because they feel constrained by their small size and the geographical distance between their vineyards and Tasmania's more prominent wine regions.

A number of wine producers also referred to their interactions with networks of the past. Vineyards Association of Tasmania (VAT) was the representative body for Tasmanian wine producers between 1974 and 2006. Interviews with industry informants, wine producers, and analysis of secondary data, all revealed that VAT had a much stronger focus on the technical aspects of wine production, such as viticulture and varietal management, and establishing industry legislation. VAT also operated within a less formal governance structure to its replacement network, WIT. The changeover from VAT

to WIT is in line with network theory, which suggests that although most network structures are stable, they do gradually change in response to external and internal changes (Easton, 1992). Moreover, as an industry's networks progress through the different stages of marketing alliance formation, the mode of governance is likely to change also (Wang & Xiang, 2007). The benefits of cooperative marketing may also erode as an industry progresses through its own market life cycle (Nielsen, 1987), as was found here.

In the early stages of its development, VAT fulfilled the role of acquiring and sharing technical information about viticultural practices, pests and diseases, varieties, and so on. According to a more-established Tasmanian producer, this type of information was particularly beneficial, because at that stage, the industry was desperate for information about growing grapes and producing cool climate wine. Furthermore, most Tasmanian wine producers were just starting to develop their vineyard sites, and were therefore, experimenting with different varieties and growing conditions. Since then, the majority of the state's wine producers have become much more educated and experienced in the processes of growing and making wine. Thus, they are now more eager to learn about how to successfully market and sell their wines, and manage a viable wine business. The network implications of these external and internal changes are highlighted in the following comment:

There is no doubt that in the days of the VAT the industry was a lot more cohesive. We were all smaller, we were all struggling and we were all desperate to share information... We were learning at a much harder and faster rate... whereas now for most of us it is probably more to do with efficiency, profitability and business development. There was perhaps a greater feeling of a need to come together to share information, to share experiences, to be a very cohesive group to lobby government and other organisations we needed cooperation from. But I think that some of that has actually gone now. People are a lot more independent. (Producer 32)

What this excerpt reveals is that the degree of Tasmanian wine producer cohesiveness has changed over the years. This has been found to have implications for the extent of information sharing, the type of information being shared, and the perceived level of

collaboration within Tasmania's horizontal networks. When the industry was at the early stages of its lifecycle, wine producers operated on what they perceived to be a more equal playing ground. Now, thirty years on, the industry has grown into a mix of small and larger sized businesses, some of which are new, while others are well-established. Additionally, an increasing number of Tasmanian wine producers are shifting their focus towards mainland Australia, and international consumers. Large, international wine companies are also investing in the Tasmanian wine industry, and consequently, the industry's present-day networks have to balance a mix of producer interests and diversity. Interview data confirmed that external changes such as these, combined with internal changes regarding the priorities of wine producers, contributed to the demise of VAT and the introduction of a new peak body. Producer 18 explained the outcomes of this changeover in the following way:

The VAT had been primarily a grower-based group. Its focus was to establish vineyard and run technical programmes and field days. Whereas we felt the need to have a stronger marketing arm, and so WIT was established really with purely a marketing focus...and it is helping to raise the profile of Tasmania as a brand.

Similarly, Producer 5 felt that as the industry matured, the priorities and structure of the peak body needed to mature also:

What they had before was an industry association that was very vineyard focused, which was what was probably needed in a young industry. But then they needed to take it to the next step and do the marketing.

External market conditions have also contributed to the shift away from Tasmania's industry-wide focus on grape growing and wine production, to that of managing and marketing premium wine brands and businesses. The following quotes illustrate how the industry 'woke up' to shifts in the industry life cycle:

I was on the committee of VAT, which I really enjoyed. But we could see that it needed to change because we needed more of a marketing organisation. When VAT started people were planting their vineyards...[now] there are a lot of pioneers exiting the industry, and I think that is changing the dynamics. (Producer 22)

I think probably a really good point to highlight is the evolution of the old VAT to WIT. I think the whole industry could see that that was needed, and we have gone from more production based to now more marketing, and advertising, and promotional based... It has been very grass roots [but now] it is growing... I think nationally we are in a great position and I think internationally is just the next step. (Producer 11)

The differences between VAT and WIT also correspond to the governance model outlined by Wang and Xiang (2007). For example, this study found that VAT exhibited a relatively informal governance structure whereby relationships and interaction were grounded in member trust, loyalty and reciprocity. WIT, on the other hand, has adopted a more formal structure and hierarchical governance mode. This imposition of an authoritative structure – which was poorly received by a small portion of WIT members – has led to some of the more-established wine producers questioning why VAT was disbanded in the first place, and if WIT can ever provide its members with the same degree of value and benefit. The following comments are illustrative of this divergent view:

I am somewhat saddened that the VAT folded up... In retrospect you would wonder how we have managed to finance a new group if we couldn't finance the old one. (Producer 26)

Yes VAT was more informal but then they got all carried away and became this WIT. (Producer 21)

Upon inspection of WIT's 2008-2010 Strategic Plan (Wine Industry Tasmania, 2008), further evidence shows that Tasmania's new peak body is more focused on building the profile of Tasmania's premium cool climate wines through collaborative marketing activities. VAT, on the other hand, was oriented towards making Tasmania a world leader in the production of premium cool climate wines through viticultural and winemaking innovation (Vineyards Association of Tasmania, 2002). As such, VAT identified industry growth, investment and profitability as key issues in their Strategic Plan for 2003 (Vineyards Association of Tasmania, 2002). Eight years on, the 2011-2013 WIT Strategic Plan identified raising awareness of Tasmanian wines, and aligning WIT's marketing

activities with the new „Wine Australia Regional Heroes’ marketing campaign, as the top issues requiring action (Wine Tasmania, 2010a).

There was also evidence of the sub-regional networks changing their focus and structure over time to suit their members’ changing needs and priorities. For example, the initial priorities of both WineSouth and the TVWR were to coordinate wine route signage, and to encourage their members to achieve tourism accreditation. However, as the wine producers in these regions became more established, their priorities moved towards cooperating and collaborating for the purposes of marketing. As Producer 32 described:

WineSouth was set up to get some signage together, try to get us working together and how we are going to handle those sorts of things. But, as that got established, we turned to cooperating together when [marketing] opportunities come up.

Changes to the structure and purpose of Tasmania’s horizontal networks have also emerged in response to those pursued by others in the industry. For example, one producer explained how WineSouth, which was once a wine tourism body „is really a local marketing group now because the wine route has largely been taken up by WIT’ (Producer 32). Another member of the same network added:

WineSouth is a group of participants who try to do smaller marketing events as a group, and I guess it is a bit like the Tamar valley wine group...but we have united the East Coast, Coal River, Derwent Valley, and the Huon Valley... we were running a brochure...but then WIT has sort of come and encompassed us as well (Producer 11)

This apparent cross-over between the state-wide network, WIT, and the sub-regional networks does appear to create some conflict within the industry, which could jeopardise the otherwise collaborative nature of producer interaction. Further analysis of this theme will be presented in section 9.3 of Chapter Nine.

7.4 Horizontal networks and the nature of interaction

Further analysis of the key theme areas revealed that the nature of interaction within Tasmania's horizontal networks was more collaborative and cooperative than it was competitive and opportunistic. On the whole, most participants likened their horizontal networks to a group of related businesses working together for mutual benefit and to achieve a mutual goal. One wine producer, for example, defined networks as groups of inter-organisational relationships:

If you treat all your relationships with the same respect that you treat your marriage ... of course you will have a good outcome. We do look for long-term relationships...I want serious relationships so that we can both succeed... I think that you have to have the capacity to forgive and the capacity to communicate...that is how I describe networks. (Producer 16)

Other producers, such as Producer 32, described networks as overarching organisations whose purpose is to create networking opportunities at either a broader state-wide level, or a more-refined and sub-regional level. Descriptions like this suggest that Tasmanian wine producers perceive there to be a difference in the role of Tasmania's only state-wide network, WIT, versus the networks that operate at a local level. Further analysis of the data suggested that this difference influences how Tasmanian wine producers interact with others in their region. As a result, each of Tasmania's horizontal networks exhibited different levels of inter-organisational interaction. This finding supports the proposition that the nature of inter-organisational relationships can be mapped along a continuum, ranging from networking, coordination, cooperation, to collaboration (Himmelman, 1996).

In relation to this theory, the nature of interaction within WIT was bordering between cooperation and collaboration (Himmelman, 1996). This assessment is based on evidence that although WIT members regularly exchange information, engage in activities aimed at achieving a common purpose, and to some extent, share their resources, they do not share a high level of reciprocity and commitment. In contrast, in the TVWR wine producers regularly exchanged information, altered their activities, and shared resources

like that of WIT. However, they also enhanced the capacity of one another, and demonstrated strong commitment to achieve a common purpose and provide mutual benefit. Thus, the nature of interaction within the TVWR network was found to be more reflective of Himmelman's (1996) conceptualisation of true collaboration.

At the opposite end of the relationship continuum, some participants perceived WineSouth to be more of a 'network of convenience'. WineSouth members still regularly exchanged information for mutual benefit, but the extent of resource sharing and activity coordination was notably less than the TVWR and WIT. Additionally, resource sharing and activity coordination only took place in the lead up to wine festivals and tasting events, such as the Red Wine Weekend or the White Wine Weekend. At other times of the year some resource sharing was evident, however, this took place within more dyadic arrangements between neighbouring vineyards, rather than at the entire network level. Thus, the nature of interaction within the WineSouth network was representative of coordination, but not necessarily true cooperation or collaboration (Himmelman, 1996).

Within the interview data, there was a clear indication that the nature of interaction in the horizontal networks has, and will continue to, change over time. For example, although the WIT network is yet to reach a point of true collaboration, interview data did suggest that the nature of interaction within this network may even be moving back along the continuum. This is largely influenced by the comparisons interviewees made between Tasmania's previous state-wide network, VAT, and the present-day WIT. Namely, VAT exhibited much closer bonds between its members. This has created a situation whereby many Tasmanian wine producers have high expectations that WIT will follow in VAT's footsteps, and offer the same degree of reciprocity and camaraderie.

The themes described thus far suggest that the manner in which Tasmanian wine producers interact within horizontal networks is influenced by many internal and external factors. In this study, the structure of the network, and the extent to which the network represents all producers within the industry, were found to be important. For example, one of the most positive aspects of VAT, as described by the interviewees, was that it was

representative of almost all Tasmanian wine producers during its period of operation. In contrast, there was some speculation that WIT will struggle to maintain its existing membership base if the majority of Tamar Valley wine producers opt to join only their sub-regional network, which is perceived to be more representative of their interests.

7.5 Why Tasmanian wine producers join horizontal networks

Analysis of qualitative data revealed that Tasmanian wine producers enter into horizontal networks for many reasons. This variation is partly related to the diverse range of backgrounds and objectives of owner/managers operating in the wine industry, but in Tasmania's case, it is closely related to the perception that the state-wide network, WIT, has a different purpose and role to the sub-regional networks, the TVWR and WineSouth. When taken together, the motivations can be grouped into three broad categories: commercial, social, and strategic. Some of the strongest motivations participants had for joining horizontal networks, particularly sub-regional networks, were of a social nature. For example, a number of smaller wine producers indicated they had joined the state-wide network, WIT, so they did not feel 'left out' or isolated from the industry. Similarly, horizontal networks were found to provide smaller grape growers, or new wine producers, with the opportunity to establish credibility among their industry colleagues. Tasmanian wine producers also form horizontal networks for more commercial reasons. In particular, these were exemplified by the boutique wine producers who relied on both WIT and their sub-regional network for access to resources and marketing expertise. Small wine producers were, however, confronted with the issue of cost, and the fact that many could only afford to support one horizontal network. This issue was acknowledged by other producers in the industry from both points of view. On one hand, Producer 20 accepted that 'depending on your size, people may not see the importance of being involved in one but can see the importance of another'. While, Producer 18 argued that:

I belong to WIT because I firmly believe that we should be part of our own peak body...things that they do benefit the whole industry.

Interviews with Tasmanian wine producers who were more established and/or eager to grow their wine business, revealed a need to balance their participation in horizontal networks with the marketing activities they pursued at an individual firm level. This finding was particularly strong for those wine businesses that had greater levels of marketing expertise in-house. As such, this category of wine producers appeared less motivated to join horizontal networks for resource or efficiency reasons, but rather, for the opportunities to learn about what other producers were doing, share their knowledge and expertise, and influence industry developments and state-wide collaborative marketing activities.

Most wine producers, however, had a combination of commercial, social and strategic reasons for being involved with horizontal networks and participating in collaborative marketing activity. Moreover, some Tasmanian wine producers' were found to have first joined horizontal networks for commercial reasons, but over time their motivations changed as their initial needs were satisfied. A number of participants also indicated that because of their tangible and quantifiable nature, commercial benefits tended to be given the most priority. However, this study found that many Tasmanian wine producers come to realise that the social aspect of horizontal networking is often more valuable over the long-term.

Note that two of the wine producers interviewed were not members of any present-day networks. However, their motivations for not joining horizontal networks were found to be fairly trivial. That is, they opted not to join horizontal networks because they were soon to be exiting the industry, or because they simply had not found the time to complete the formalities of WIT or TVWR network membership. Similarly, insight into the reasons why some wine producers were involved in the state-wide network and not their sub-regional networks, and *vice versa*, enabled further analysis of the motivations for Tasmanian wine producers joining horizontal networks and participating in collaborative marketing activity.

7.5.1 Commercial motivations

The need for efficiency, and the desire to achieve economies-of-scale, was an obvious motivation for Tasmanian wine producers to join horizontal networks and collaborate for marketing purposes. Comments such as: „now, for most of us, it is probably more to do with efficiency, profitability and business development’ (Producer 32) and „as a collective we can do things we can’t do as a single firm’ (Producer 20) indicate that in Tasmania’s current environment, horizontal networks provide firms with an opportunity to improve their profits, save money and resources, and generate marketing impact that they would struggle to acquire on their own. These opportunities were particularly important to the smaller wine producers interviewed. In addition, new entrants to the industry relied on their sub-regional, and the state-wide, networks for more generic reasons, such as to „get known...find out what was happening and...to learn’ (Producer 23).

The notion that many small and medium sized wine producers are isolated in their own business also motivated them to network with people in similar roles and from similar backgrounds. The commercial upshot of this type of networking was that the wine producers acquire knowledge, and become aware of marketing opportunities that they would have otherwise been oblivious to. This finding is captured in the following quote from Producer 20, a small wine producer based in the Tamar Valley:

When you work on your own you don’t have the benefit of other people’s experience, but you get some access to that through belonging to an industry group. And you get also some marketing opportunities, for instance, the Taste of the Tamar.

A number of participants also expressed the idea that promoting the Tasmanian wine brand collectively through their horizontal networks, was vital to establishing a regional reputation that could stand out in a commercial environment. This was largely related to the fact that Tasmania is a relatively small-scale, and young, wine industry. Hence, establishing awareness of the Tasmanian wine region in its entirety, had flow-on benefits for the success of individual wine brands and the smaller wine producers in particular.

Within the literature it is well-established that small firms can access resources and new markets through collaborating with other firms in a network environment (Street & Cameron, 2007). Furthermore, research from a wine tourism perspective has found that networks, industry associations, and marketing alliances are ideal for smaller wine producers looking to expand their marketing scope, and take advantage of branding and cost efficiencies (Hall, 2003; Telfer, 2001a). From a Tasmanian wine industry perspective, the following comment from Producer 1 offers further support for this theory:

The challenge for us is getting known basically, which is why we rely so heavily on collaborative things. If you are a small vineyard, and you don't have a cellar door and you don't have any other window to the public, you need to tag on with other vineyards, hopefully from the same area, in order to get [noticed]... so I guess we are the little ones that are waiting for the crumbs from the big ones' tables. (Producer 1)

As another small wine producer indicated:

Providing a united front builds a strong impression of our brand...the more Tasmania gets promoted the more we will get promoted as well... It comes back to [Tasmania] also being small. We need to be a group and we need to promote ourselves as one in order to get people to notice us (Producer 10).

Producer 14, who represented one of the state's mid-sized wine businesses added:

I think Tasmania is so small that we need to promote Tasmanian wine first...of course we have to promote our own vineyards and our own style and brand, but I think there is a lot to be said for working together as a group... The production here is so small that until the market is pretty big, there is no sense battling your neighbour when they are trying to promote the same thing...I just don't perceive them as competitors.

Many other wine producers made comments of a similar nature, arguing that horizontal networks and collaborative marketing activities helped the industry to promote a united front, and create awareness of the *collective* Tasmanian wine brand on a national and international scale. Promoting Tasmanian wine in national and international markets was seen by many as an important step, because the Tasmanian population has never been a viable market because of the very premium nature and price of Tasmanian wines.

However, Producer 19 felt that horizontal networks had an important role to play in getting wine producers „to find a way of working together and working as a region, and developing a wine culture that Tasmania just hasn't had until recently'. Collaborative marketing to consumers and trade representatives about Tasmanian wine was therefore found to increase the likelihood that such individuals will select a Tasmanian wine when making future purchases, both at a local, national and international scale.

Some wine producers also acknowledged the lobbying role played by the industry's horizontal networks, particularly by the state-wide network, WIT. The degree to which this motivated wine producers to join horizontal networks varied quite significantly, and was largely dependent on the size of the wine business and the attitudes the owner/manager had towards the need for a state-wide industry body. What participants could agree on was that individual wine producers, or even individual sub-regions, lack the „pulling power' to lobby government for access to funds or changes to legislation. As Producer 32 indicated, change is much more likely when the government perceive the industry to be cohesive. „As soon as an industry shows signs of fragmenting, the government tends to step back' (Producer 32). Thus, it makes commercial sense for wine producers to join the WIT network in particular, as this will project an image of industry wide cohesiveness and unity, and potentially make the government more generous with their provision of funds and access to government personnel and representatives.

However, this view was not necessarily shared by everybody. Producer 18, for instance, was more pragmatic regarding the commercial benefits of horizontal networking and collaborative marketing:

I don't know. It is a feel good thing... they [networks] are effective at raising the profile of Tasmanian wine, but I don't believe they are actually effective at increasing actual sales to the people who have spent the time and money to participate.

In contrast to Producer 18, Producer 16 avoided sub-regional networks because they felt they were insular, and involved a lot of time wasting. Instead, Producer 16 had joined the WIT leadership group, and indicated the main reason they support state-wide

collaborative marketing activities and networks is because they feel that as a collective, Tasmanian producers can achieve greater awareness of their wines in national and international markets. This was backed up by comments by Producer 30, who stated:

It also begs the question of “if I can’t do it on my own and there are a bunch of others that can’t do it on their own; then is there not some way that we can do it together?”

Other participants acknowledged the more commercial benefits they could derive from networking with their industry colleagues, and then later emphasised the important social role horizontal networks played in advancing the industry and providing them with a sense of enjoyment and community. The following comments from Producer 20 demonstrate how wine producers’ motivations for joining horizontal networks evolve over time, and were representative of a number of different areas:

The first would be the opportunity to take part in things like the brochure, and in local marketing activities. Because as a collective we can do things that we can’t do as a single firm. It is a networking opportunity as well, because you get to meet other people within your area...It is also about our community and taking care of each other and making sure we are strong...camaraderie as well, and talking to people from a vineyard perspective.

Data such as these suggest that Tasmanian wine producers are more commercially viable if they collaborate by linking their activities, sharing their resources, and at the same time, enjoy social interaction. This supports previous research which has found that small firms, in particular, benefit from participating in business networks at the start-up stage (Birley, 1985). From a wine industry perspective, this study found Tasmania’s wine producers joined horizontal networks for a number of reasons, some of which include: to meet current players in the industry, find out about what is happening, and share information and advice regarding cool climate wine production. The following quote from Producer 5 sum up the general feelings in this area, and confirm that new wine producers tend to join horizontal networks for commercial reasons:

We take an opportunity to network and we have been doing that right from when we first started and we were just at the planting stage and didn’t

have a cellar door. So we have always found there to be a huge amount of benefit from taking the opportunities of networking and we probably do it less now than we did then, because it is a time thing.

7.5.2 Social motivations

Apart from providing Tasmania's many smaller wine producers with an opportunity to more efficiently promote themselves to the consumer public and trade representatives, Tasmanian wine producers were also motivated to join horizontal networks for social reasons. These motivations were largely related to the desire to be involved in the industry and to be seen to be supportive, and were driven by feelings of isolation from owning and managing a small wine business. Tasmanian wine producers also joined horizontal networks because they felt it was important to maintain the current levels of industry camaraderie, and because socialising with industry colleagues provided them with a sense of enjoyment and satisfaction. In many ways, the chance to meet and network with other wine producers in their area was an opportunity to escape the everyday perils of managing a vineyard and producing wine. The following comment from Producer 15 is demonstrative of this:

I think it is really positive for all of us to work together because you are very isolated...this [networking] is the time when you spend with people who do just what you do, so it is sort of fun I think.

Social interaction was found to have many indirect benefits for actors involved, the most obvious of which was access to knowledge and information. As Producer 32 explained, part of the reason they were members of horizontal networks was because of the opportunity to share information and interact with their peers:

[Small growers] can pick up the phone and ring me and any number of others, but it is not as easy as casually seeing somebody at a meeting or field day...if you don't rub shoulders with people you don't come across those opportunities and you get stuck. No man is an island.

Horizontal networks were also found to provide wine producers with the ideal environment for simple social interaction, which owners of small vineyards felt they

missed out on within their own businesses, or even within their vertical networks and distribution channels. Although not in this category themselves, Producer 11 acknowledged that social interaction was a powerful motivation for small wine producers to become part of networks and groups within the industry:

I know that some of the really smaller vineyards, or the quieter members of the group, go to nearly every meeting and do things because they just want that interchange. They want to see what others are doing and find out how they can improve.

In comparison, most of the larger wine producers interviewed felt that it was their duty to join networks so they could use their resources to promote the Tasmanian wine brand and increase awareness of Tasmanian as a premium, cool climate wine region. Findings such as this go against the more traditional view of competition, which argues that firms producing the same product and operating within the same market should, theoretically, engage in a constant struggle to develop, maintain, or increase their differential advantages over one another (Day & Wensley, 1983). This study found that Tasmanian wine producers were more likely to join networks to develop, maintain, or increase their differential advantages over other wine regions, rather than their competitive advantages over one another.

For other Tasmania's wine producers, who did not perceive there to be any real commercial benefit to horizontal networks and collaborative marketing, network meetings and events were a valuable opportunity for socialising and generally 'catching up'. In this study, this social element was a particularly strong motivation for Tasmanian wine producers supporting the current horizontal networks in their industry, and to some extent, maintaining the sense of camaraderie that was established by the industry's pioneers and the previous industry body, VAT. Throughout most interviews, wine producers made sociable and positive statements in relation to other Tasmanian wine producers. This assisted in maintaining the social relationships that were present not only within each of the three networks, but between producers and non-network producers in the same area. As the sub-regional networks grew in size, and their events became even more successful, new entrants to the industry appeared more inclined to join the networks

also. This was certainly the case for Producer 28, who at the time of data collection was not a member of any present-day networks. However, they indicated that although they were not members of the TVWR or WIT currently, joining both these networks in the near future was their intention.

Although Tasmania is legally recognised as the one region for GI purposes (as indicated in Chapter One) the state is divided into four distinct sub-regions, and these sub-regions form the basis of many of WIT's collaborative marketing activities. Such a strategy was found to benefit WIT members located on the well-known wine touring routes, such as the Tamar Valley, although it also contributed to the feelings of isolation some of the wine producers located outside the main sub-regions experienced. The presence of these feelings of isolation motivated some wine producers to develop closer relationships with other producers in their immediate area, and engage in collaborative marketing activity at the sub-regional network level. For example, Producer 29 commented „we all try to promote each other...because we don't get many people out here'. Similarly, the owner/manager of one of the state's oldest wine producing firms also indicated that:

The proximity doesn't enhance it [collaboration] because we are so spread out. I guess that is why we maybe all feel a bit lonely out there in spots and it gives us a bit of a focus to come together and do something cooperative.
(Producer 32)

Other participants had even gone to the extent of selling their „friends'' wines in their own cellar door. This example of industry camaraderie was particularly strong within the Tamar Valley, where the activities and history of the TVWR motivated local producers to maintain strong social relationships. Producer 23 indicated they would be more than willing to help out another producer by stocking their wines in their more-central cellar door:

They have got a lovely little red, so let's put it in here. We don't have to give people tastings of it, but they can buy a bottle if they want. [It's about] pushing our friends because they are all local.

Strong feelings of camaraderie and unity motivated many other Tasmanian wine producers to join horizontal networks and participate in collaborative marketing activity.

The following quotes illustrate how these social motivations were apparent within the data:

Generally I think everyone in the Tasmanian industry has the feeling that you are all in it together...it is not so much a “them thing” it is a “we thing” (Producer 5).

There is certainly a sense of camaraderie and community and being part of something, which attracts you to going and doing that sort of thing (Producer 30).

This desire to support the industry was not only evident through the comments producers made during their interviews, but it was also obvious when the researcher attended industry events and observed producers interacting for herself. Some wine producers had even admitted that although there was no real commercial payoff from horizontal networks and collaborative marketing events, they continued to support the network because it was their way of giving back to the Tasmanian wine community:

That is why we participate in things like Tasmania Unbottled, even though we did it last year and had virtually no wine...I still think it is important to be there and to support your industry and do what you can. (Producer 5)

We don't get any sales out of it, but if only a few producers showed up then it wouldn't be representative. It is more that desire to help out than that desire to be left out. (Producer 33)

What we do want is to be seen to be supportive...we choose to be a member because we see that as giving back to the wine community. (Producer 16)

Producer 4, one of the state's largest producers, had also observed this level of camaraderie amongst producers at collaborative marketing events. To this extent, the desire to help out their „comrades’, led producers to staff each other's stalls and sell each other's wines. For example, Producer 1 explained that at a recent TVWR marketing event: „there is enough camaraderie in the room that if one person stayed on your stall you could go around and check other wines’. Other producers reflected on the more social outcomes of supporting the collaborative marketing events the TVWR network pursued:

I think it shows the energy of the people and it improves what everyone else is offering because they start offering themselves as part of something. Rather than doing something off one side, they start doing it together.
(Producer 22)

Over time, this sentiment had become normal network behaviour, and consequently, assisted to alleviate any feelings of rivalry or competition between producers when collaborating in the public domain.

There were, however, some respondents who were more critical and dubious of „all this altogetherness [sic]’ (Producer 12). Others indicated they would only collaborate for the purposes of marketing the region and „beyond that we are a bunch of individuals’ (Producer 18). Producer 12 clearly dismissed the idea of joining horizontal networks for social reasons: „I network with who I need to network with...I don’t need to go and chat someone up’. These producers were, not surprisingly, motivated to network for purely commercial or strategic reasons. Despite these few instances of negativity, overall there was a strong sense of pride among the producers interviewed regarding their involvement in horizontal networks and what these networks had achieved. A comment from Producer 19 sums up the general feelings in this area:

I have been to a lot of wine regions and I have never ever seen a group of people work so well together to get so much done...I would challenge anyone to find a more organised wine route anywhere. I just think it is amazing.

7.5.3 Strategic motivations

As already alluded to by the comments above, the size of their wine business, and the owner/manager’s background and business philosophy influenced their motivations for joining horizontal networks. In particular, Tasmania’s next generation of owner/managers, or those that managed a larger wine business, were motivated to join horizontal networks and assume leadership positions within such networks, for more strategic than commercial reasons. This can be partly explained by the fact that most of Tasmania’s

larger wine businesses had access to marketing expertise and resources internally, and because of the nature of their business, their networking involvement was often pursued in conjunction with individual activities and marketing strategy. For example, Producer 2 who represents one of Tasmania's largest wine producing firms, felt that their involvement in horizontal networks was not so much of a commercial necessity, but rather part of their overall business strategy:

We are pretty much involved in a lot of those sorts of bodies, and we like to have an involvement in the operations, whether it is at a committee level or whatever else, because at least that way you know what is going on. We have also got the resources to be able to put people into those sorts of committees.

Comments such as this suggest that pursuing an active role within a horizontal network, or being a representative on a network committee, granted some wine producers the ability to influence the types of activities the network pursued for their own benefit. Similarly, being members of both the state-wide network, WIT, and their sub-regional network could allow wine producers to maximise their gain from collaborative marketing activities because they could coordinate their own individual marketing strategies with those of both networks. The following comments from a mid-sized family-owned wine business add further support to the overarching theme that wine producers join horizontal networks for strategic, as well as social and commercial reasons:

It is great that [individual name] is on the marketing committee because at least we get some say in the wine route brochure and in other marketing activities...I am also on the technical committee for WIT...so it is nice to be part of the information and trying to decide what is worth talking about and what isn't. (Producer 31)

Producer 20, who was labelled a next generation Tasmanian wine producer within the industry, also appeared to be more strategic in their reasons for being involved in horizontal networks. This was partly because of their level of marketing expertise, and partly because of their desire to see the industry grow and their individual wine brand gain more exposure. Consequently, they held leadership positions in both WIT and the TVWR, and explained their motivation for horizontal networking in the following way:

We take an active role...we have been a little bit more targeted and selective as to who we have chosen and why, and what can give our business and our brand the most benefit. (Producer 20)

There was also evidence that Tasmania's larger sized wine producers had been 'a little more targeted' in their decisions to support wine industry networks and collaborative marketing at a local level, rather than directing all their efforts into the national and international markets. For example, Producer 2 explained that because they were one of Tasmania's largest wine businesses, it was partly their responsibility to support any collaborative activity at the local level, even though their marketing priorities had shifted to international and national markets:

Number 1 is that there is our own desire to be presenting our product and presenting ourselves to the market. But there is also almost a requirement as one of the larger in the state that we should be making our contribution to marketing and promoting the state generically. I think there is a bit of a responsibility to do that, and at the end of the day it is still in our interests to do it.

Evidence of this combination of strategic and social motivations was also acknowledged by smaller producers in the Tasmanian wine industry:

I am sure producers like [Company X] support those things to support the industry rather than really wanting to do them. They don't really need to do them. They sell out all the time and have trouble with their supply, so it is more about being part of the industry for them. (Producer 8)

The network relationships and mutual respect between smaller and larger wine producers were found to be important in helping to alleviate feelings of jealousy and rivalry within horizontal networks. However, joining horizontal networks for strategic reasons was not only attributed to Tasmania's larger wine producers, or even those labelled 'next generation'. Producer 22 and Producer 24, who were both members of the TVWR and WIT, indicated that part of the reason they supported both networks was because:

It gives you an opportunity to influence how things are done...if you don't like something the only way to really change that is to be part of it and have a say. (Producer 22)

These networks provide us with a whole lot of information and that is my background to stick my beak in when I think it is necessary. (Producer 24)

For Tasmania's smaller producers, and those who were less active in the industry, joining horizontal networks and participating in collaborative marketing activity also enabled them to improve their credibility and position within the industry. Producer 5, who is located in the North West wine region, explained how being involved in the state-wide network had assisted their business:

Because we have participated in state things like Tasmania Unbottled and we are up at meetings all the time, people are starting to recognise there are some decent wineries outside of their area...it enhances your credibility if you know what is going on, apart from just what is going on in your own four walls.

For other participants who used contract winemakers, being a member of a horizontal network allowed them to demonstrate they were serious about producing and marketing premium wine, and avoid being categorised as merely „grape growers'. Upon speaking to one wine producer who was located off a main touring route, and who was relatively new to the industry, this theme was evident:

Well you have to be part of it to be taken seriously but just because you are part of it, that doesn't mean that anything much comes out of it...to be taken seriously in our industry I think you probably do have to participate, at least by your peers. (Producer 30)

Other producers supported this sentiment by stating:

I think if you didn't you would feel left out a bit...there was pressure [from within the network] that if we want to be serious about our wine we should be there. (Producer 9)

Through joining their sub-regional networks, Tasmanian wine producers also had the opportunity to „market' their business and wine story to other members, so the network would feel comfortable referring customers to them, and participating in collaborative marketing activities. As Producer 20 noted:

If I give that personal recommendation through the network, I have got to know these people and I know that they have got quality wines...if you

can enhance that [the customer experience] through giving a personal recommendation then I think that is good for our industry.

Another member of the TVWR network added:

I think any event where we get together with the rest of the people on the wine route enhances your relationships and referrals to cellar door...and [means] they are more likely to mention us (Producer 3).

Comments such as this indicate that horizontal networks also facilitated a form of internal marketing. For example, wine producers use horizontal network meetings and occasions to find out about one another and how each contributes to the region, and to learn how to work with each other in a collaborative way. The benefits of these internal marketing efforts are then shared between the members of the network in the form of increased cellar door visits and sales.

From a more negative standpoint, some producers were clearly selective as to who they chose to network with, thus suggesting there were underlying strategic motivations driving their collaboration and networking choices. Producer 16, for example, indicated that they were more likely to network with wine producers that were of a similar age, or who had the same winemaking or business philosophy. However, as the owner of one of Tasmania's more-established vineyards, Producer 16 did acknowledge the importance of giving back to the industry through their ability to attract attention from trade representatives and the media, and then share this benefit with other members of the WIT network. Like many other producers, the value of horizontal networking and collaborative marketing was, in their opinion, less about the little things and more about the bigger picture.

Overall, this study has found that as a wine business grows and becomes more established in the market, their motivations for horizontal networking and collaborative marketing shift from commercial to more strategic. Part of the reason for this was explained by Producer 32, who stated:

I think what happens also is that as the businesses get bigger the networks develop within the business... So you probably tend to find that some of the

bigger businesses tend to network more with their Melbourne, Sydney, Queensland agents, or their export manager, than they probably network with their neighbouring vineyards, or particularly in a sales and marketing basis anyway... And I guess there are more of us doing that now.

As Tasmanian wine producers become more established they develop the necessary marketing expertise and resources internally, which subsequently changes their motivations for horizontal networking, and increases the likelihood of them collaborating in other areas. This supports previous research that has found that networks and collaboration provide firms with the opportunity to achieve more collectively, than they can do on their own (Fyall & Garrod, 2005). At the very least, cooperative relationships provide firms with a significant opportunity to minimise their transaction costs and achieve economies of scale. Similarly, a firm's ability to survive in an industry is related to their desire to cooperate and socialise with other firms, rather than just strictly compete (Morris et al., 2007). From a wine industry perspective, previous research has found there to be significant value in producers working together to promote the generic features of their wine region and wine product (Aylward, 2004b; Taplin, 2010; Telfer, 2001b).

This study has added to this understanding by demonstrating that another reason wine producers join horizontal networks is for the social interaction they provide, which leads to more opportunities to improve the marketing and reputation of an individual wine business. The findings reported thus far offer insight that is appropriate for exploring the practice of collaborative marketing within horizontal networks, and for addressing Research Question One. Prior to concluding this first part of the findings section, this chapter will now highlight the benefits Tasmanian wine producers found were associated with horizontal networks and collaborative marketing activity.

7.6 The benefits of horizontal networking

Most of the benefits Tasmanian wine producers associate with horizontal networking is related to the mutual exchange of information and resources. The reasoning behind this

approach is captured by Producer 25, who is a semi-retired producer based in the Tamar Valley region:

Within the industry I guess we are all competitors to some extent. But I still think we are better off sharing, and sharing ideas. It should be no skin off your nose if someone else wins a gold medal. You are better off getting some ideas as to how they got it. So there is no doubt in my mind that life is much more pleasant as a cooperative operation. Mind you, I guess if things got really tough and people were very financially stretched, then that might change.

Resource sharing within wine business networks is not uncommon (Chetty & Wilson, 2003). Indeed, in this study, many participants supported the sharing of resources, both tangible and intangible, within their sub-regional networks, and WIT. In most cases, resource exchange centred on the sharing of non-physical resources such as information, ideas, knowledge, and advice. However, there were examples of producers sharing equipment, personnel, and the financial cost of a certain operation or activity, which certainly had economic benefits for the producers involved. Overall, this study found that, on the whole, Tasmanian wine producers are more than happy to share their resources and knowledge, especially within their sub-regions:

The whole community in the wine industry is a very cooperative community...very willing to share anything with anybody else. Anyone has just got to send an email around saying “I have got a problem” and you will get half a dozen answers almost instantly. So it is a very helpful group. (Producer 11)

I have always been impressed at how freely people exchange information. The people that freely give up the information are the ones worth listening to. There are others that are cagey and don't want to give anything away. They are generally the ones that don't have anything worth listening to anyway, [because] they are really paranoid that people are going to steal their market. (Producer 31)

Previous research has established that given the business constraints faced by SMEs, networks are useful for providing access to resources and information owner/managers would otherwise be unable to acquire (BarNir & Smith, 2002; Buttery & Buttery, 1994; Morris et al., 2007). A lack of resources in the areas of finance, technological know-how,

and marketing expertise, are a common precursor to SME marketing failure (Carson & Gilmore, 2000; O'Donnell, 2004). From a wine industry perspective, Chetty and Wilson (2003) found that horizontal networks were a primary source of resources for international wine firms based in New Zealand. Conversely, domestic wine firms were more likely to source resources from vertical or social networks. As highlighted previously, the majority of Tasmanian wine producers operate in a domestic context only. However, this did not appear to restrict them from accessing and sharing resources within their horizontal networks.

Producer 7 had already developed a strong reputation in national and international markets, however, they still benefited from resource sharing within their sub-regional network, the TVWR:

We all share the knowledge of what we have done in the past to try and make it easier for everyone else at the next event...we are always sharing information and knowledge about what works for some people and what hasn't worked for others.

A member of the same network acknowledged one of the key benefits of networking with a range of different producers, was the willingness of larger producers, such as Producer 7, to share their marketing resources with their smaller counterparts:

Through the TVWR I am working with a range of people and some of those have bigger vineyards and some have small. And they bring a whole wealth of experience...if it wasn't for the bigger vineyards, they have got a huge marketing budget and they are doing amazing things. And in some ways I am getting the benefit of that. (Producer 20)

Producer 18 also indicated that the extent of knowledge sharing was one of the biggest benefits of being involved in horizontal networks, and that this level of knowledge sharing was unique to the wine industry:

In the wine industry if somebody finds a better way of doing something... they'll probably get up in a seminar, or write a paper, and the rest of the industry benefits from it and so it lifts everybody's game... It is the only industry that I have ever known that is like that.

In particular, analysis of the interview data revealed that a large number of Tasmanian wine producers were open to collaborating for marketing purposes. Although, they were somewhat reluctant to share specific detail of their individual marketing strategies and their sales figures with the entire network. Despite this, producers did give general advice, and encouraged each other to learn about their businesses and cellar door practices by holding network meetings at their vineyards, or displaying their marketing collateral at network events. This resulted in an environment where marketing knowledge and expertise was shared, although rarely in a direct manner. The following comment is indicative of participant answers to the question of „do you share information and advice within your horizontal networks?’

Oh yeah but not in a very scientific way. It is just sort of “how’s vintage?” “Have you got any problems with powdery mildew this year?” That sort of thing. (Producer 9)

Producer 12 was more independent when it came to acquiring and sharing information with others in the industry:

Yes [but] it is more to pass on experience. I suppose there is a bit of knowledge swapping. The guy that I speak to if I need to is [individual name]. And that is about it. There is nothing else here that anyone is going to provide for me. And most of the people here appear to know everything already. I have enough problems here without worrying about someone else’s.

One of the few producers, who did go the extra mile, and shared commercially sensitive information with other producers in their network, explained their reasons for doing so was only because such exchange was reciprocal. Their comments below also indicate that for this level of information exchange to take place, the producers involved need to trust one another:

The information exchange between [individual name] of [company name] and myself is quite open and frank. We will talk numbers...and I am quite open and honest about how many cases of wine I have sold this week and how business is going...where I buy this from and where I buy that from and if it is cheaper to buy it from somebody else...But, that [information exchange] has to be mutually beneficial. (Producer 19)

Through their relationship with a number of other wine producers, Producer 10, who also worked as a contract winemaker, tended towards this unconventional view:

I share information with all my clients whenever I can. I have been discussing venturing into [another market] with another client, which is very possible...I have also been approached by a guy from the north and a guy from the east to do a mixed dozen, which we would mail out.

As highlighted earlier, analysis of the interview data also revealed a number of cases of horizontal network members sharing physical resources such as equipment, personnel, or production facilities. The benefits of this type of collaboration were highlighted by Producer 17, who indicated that „using a friend’s winery was the most cost-effective way of doing it’. Others highlighted the benefits of physical resource sharing that occurred between producers in the East Coast sub-region, and the Tamar Valley respectively:

We all cooperate with machinery and with picking...we all need to do the same sorts of things at the same time. Picking is probably the most collaborative because on a weekly basis we ring around and find out who needs to pick and when. It is all very much cooperative. We even share picking buckets with the guy across the road. (Producer 31)

We never pick on the same day, because they come and pick for us and we go and pick for them. [They] use our net lifting equipment and if we are short of a man to help lift the nets we all help. I’ll go and drive their tractor if they are short of people when it comes to harvest time and that sort of thing. So we work very closely together, at picking time. (Producer 29)

The data presented thus far are, however, illustrative of more dyadic resource sharing between friends or between neighbouring vineyards, rather than within horizontal networks *per se*. The main reasons for doing so appeared to be related to the commercial motivations presented in section 7.5.1 above. That is, by sharing physical resources with neighbouring vineyards and businesses, Tasmanian wine producers could save time, money, and human resources. However, analysis of the interview data revealed that this degree of resource sharing was also driven by social motivations, such as the owner/manager’s desire to help out their friends in the industry, and a strong tendency towards reciprocal relationships.

A benefit related to the notion of resource sharing is organisational learning. In this study, there was evidence of Tasmanian wine producers engaging in direct and indirect forms of organisational learning, as a consequence of being involved in horizontal networks and participating in collaborative marketing activity. All three networks were found to offer substantial opportunities for firms to learn not only about growing and making their wine products, but also advice on how to successfully market their product to restaurants, distributors and in the cellar door. In some instances, this learning was facilitated by members of the networks themselves, while in others, the network organised industry seminars or field days, where external associates would share their experiences and expertise in the area. In comparison to the TVWR and WineSouth, WIT offered the most organisational learning opportunities, through its regular field days and seminar program. The benefit of this was captured by Producer 30, who admitted that they had learnt a significant amount about wine production from the VAT and WIT field days, and now:

I feel disappointed if I don't go and find out a new fact, or new idea, every time there is one of those on...so learning from your colleagues in the industry has been crucial.

However, many of the wine producers interviewed also learnt about aspects of marketing through indirectly observing other producers at collaborative marketing events or network meetings. This finding supports previous research, which found that through interacting with others in a network, small firms can engage in informal learning and observation, from which they can then make improvements to their own operations and marketing (Rosenfeld, 1996). However, this study found that because most marketing related information was shared in an informal and indirect manner, many wine producers did not realise at first that networks had the benefit of organisational learning. This was only evident during interviews, when respondents had the opportunity to reflect on the question of organisational learning, and what examples they had to share.

One example of how Tasmanian wine producers can learn to make their marketing more sophisticated was through being exposed to the marketing activities of others and sharing ideas at network events, meetings or via network e-bulletins. Producer 23 also indicated

that being involved with a horizontal network had provided their business with good marketing and sales information:

Of course you get in their brochure and that is important [but]...there is good information for me from the sales and marketing side of things. Also, weekly you will get something from them [WIT] about things that are happening in the field.

From a sub-regional network perspective, Producer 24 indicated that they had benefited from being exposed to what other producers were doing with their cellar doors, and their marketing practices. This form of organisational learning was facilitated through the TVWR's policy of conducting their monthly meetings at a different vineyard each time. The implications of which are highlighted below:

Each month they have their meetings at a different vineyard...And so you can pick up ideas and think oh that's not a bad idea, let's do that, or let's get one of those. So that is all very helpful too. (Producer 24)

Wine producers were also found to engage in organisational learning through observing how other producers were behaving at collaborative marketing events, and what type of promotional material individual wine producers were using. This benefit was illustrated by Producer 20, who claimed:

You still need to take control of your own branding and marketing activities, but certainly by being involved in the Taste of the Tamar and what have you, you can see what other people are doing, which gives you some ideas that you wouldn't get if you weren't part of that group.

Similarly, Producer 22 described their experience of the TVWR's collaborative marketing events:

You have a look and think "oh gee they have got a really fantastic banner" or sometimes watch how people actually interact with customers and you quickly see who has got a swarm around them and who hasn't. But I always go around and have a really good look at what materials people have got.

Another relatively new entrant to the industry (Producer 23) was impressed with the number of learning opportunities they had encountered since being part of the

collaborative marketing events organised by their sub-regional network, suggesting that next time „we will be better prepared and know what is going to happen’.

Tasmanian wine producers also encountered learning opportunities through being actively involved in positions of responsibility in their networks, such as being on a marketing committee. Producer 19, for example, likened his new role as „a stepping stone in learning and understanding how businesses and corporations work’. Horizontal networks also provided the industry with learning opportunities at more of a macro level. For example:

I think we learn as we work together...one of the important lessons we learn from collaborative activity is actually learning more about the other companies and what they are offering. Not in terms of “can we do that” or “can we better that” but actually having product knowledge. So when we go out to things like Tasmania Unbottled we can actually talk about the other regions in Tasmania, the other styles and actually direct people.
(Producer 4)

This last point introduces an aspect of organisational learning theory that is perhaps unique to the wine industry. Because individual wine producers frequently observe what other producers in their region are offering, and how they manage and market their wines, over time producers become more informed advocates of their wine region. When these wine producers participate in collaborative marketing events, they are able to share this collective knowledge about a region and its characteristics with visitors and customers. In the wine industry, this collective knowledge appears to be more valuable than individual knowledge about a wine brand or wine style. Therefore, the more Tasmanian wine producers can learn about other wine producers in their networks and regional areas, the more sophisticated an image of Tasmanian wine they can present to the market.

Despite the motivation for learning, analysis of the interview data revealed that there was some contradictory evidence in relation to whose responsibility it was for „teaching’ other network members how to make and market their wines successfully. Some producers, for instance, questioned the extent to which they were responsible for sharing their marketing knowledge and expertise with the less experienced members of their network. Producer 19, who has been involved with the industry both locally and nationally for a number of

years, questioned whether they should „teach them that if it is going to be to my detriment as opposed to my benefit?’ Another wine producer agreed:

I don't waste my time with anyone that doesn't think along the same lines, because I am not going to educate them, I haven't got the time basically. I know that is a really cruel thing to say but it is just the truth.
(Producer 16)

Producer 20 also felt there was a need for producers to balance their own individual marketing efforts with what they participated in collaboratively, and to ensure that their efforts to teach others were not being taken for granted. Following their experience of the TVWR's annual wine tasting and promotional event, Producer 20 declared:

Some people will be more successful and some people won't. But that might just be a reflection on the marketing they have been doing personally themselves...I don't expect – and this is where I think some people may go wrong – that by being a member of a group like TVWR that somebody else is going to do all the work for you, because that is not fair and it is not realistic.

This reluctance to do too much for other members of a horizontal network is not surprising given they comprise of competitors. Previous research by Brunetto and Farr-Wharton (2007) found that small firms may be reluctant to share commercially sensitive information within networks because they worry about other firms using the information against them.

So far, this study's findings confirm those of previous research that suggests horizontal networks are grounded in more intangible and social elements of exchange such as information sharing and organisational learning (Easton & Araujo, 1992). Based on the comments given by the wine producers interviewed, and analysis of secondary data, most learning opportunities were facilitated through knowledge transfer at network meetings, seminars, events or field days. However, interestingly, Tasmanian wine producers also acknowledged that learning about their industry, producing wine, and marketing their end product was an ongoing process. For example, Producer 10 claimed that they were „always learning' and watching other producers carefully to see if the decisions they made had been successful. Others indicated that being involved in a collaborative

marketing event year after year enabled them to „come away with little ideas of things that we could do better’ (Producer 1).

7.7 Chapter summary

This chapter has noted that Tasmanian wine producers join horizontal networks for commercial, social, and strategic reasons. There is undoubtedly a strong social element underpinning the nature of interaction between Tasmanian wine producers, and this is in contrast to the fact that horizontal networks comprise competitors. Many interviewees indicated that the opportunity to socialise with other wine producers and to feel part of the industry was why they had joined horizontal networks. These social interactions were found to provide an important „stepping stone’ to exploiting collaborative marketing opportunities, and were necessary in order for the network to share resources, knowledge, information, and marketing expertise. From a commercial perspective, one of the strongest messages within this chapter was that the benefits of collaborative marketing would almost always outweigh the benefits of „going it alone’.

In line with previous research this chapter has described how being involved in horizontal networks is something of a social dilemma for Tasmanian wine producers. In other words, they compete with each other in some areas – such as trying to get their wines onto wine lists and retail shelves – yet, the reputation and awareness of the industry is strengthened by producers engaging in collaborative marketing that promotes a unified image and consistent product. Producers must also manage their involvement in horizontal networks in balance with their individual activities and vertical network relationships. Although most interviewees saw the value in collaborating so they could build a reputation for Tasmanian wine, they also felt it was important they maintained some element of differentiation in order to attract attention from consumers and wine trade representatives. The next chapter outlines the specific types of collaborative marketing Tasmanian wine producers were found to benefit from at a horizontal networks network level.

CHAPTER EIGHT

FINDINGS AND DISCUSSION PART TWO

8.1 Introduction

This chapter constitutes the second part of the findings section of this thesis. Specifically, it addresses the second research question, which was what types of collaborative marketing do Tasmanian wine producers engage in within their horizontal networks, at both a state-wide and sub-regional level. The chapter draws primarily on data collected via interviews with Tasmanian wine producers, however, some secondary data is referred to throughout the chapter in support of the main research findings.

8.2 Collaborative marketing in the Tasmanian wine industry

The findings from this Tasmanian study challenge those highlighted by previous work. Here, there was strong evidence of collaborative marketing being pursued by wine producers in their horizontal networks. Although this is the first empirical study to explore collaboration and networking in the Tasmanian wine industry, a position paper published two decades ago called for Tasmanian wineries to promote and distribute their wines collaboratively (Swinburn, 1991). In line with the theoretical framework adopted in this thesis, horizontal networks are defined as interdependent groups of firms that are located at the same point in the supply chain or distribution channel (Bengtsson et al., 2003; Easton & Araujo, 1992). They comprise of competitors that interact for the purposes of resource sharing, activity coordination, and the attainment of mutual goals. Because of this competitive element, some researchers have argued that it is unlikely that horizontal network actors will develop and organise their own marketing activities in response to those of the network (Andresen et al., 2009). From a wine tourism perspective, researchers have also found that small and medium-sized wine producers in

British Columbia were less likely to engage in formal networking, instead preferring to form informal and dyadic relationships with each other, or up and down their vertical distribution channel (Randall, 2010).

The current stage of the Tasmanian wine industry was a key factor contributing to the presence of collaborative marketing within horizontal networks. Recognised as a key player within the Tasmanian wine industry, Producer 32 explained how the development of the industry had culminated in a position where producers, and their networks, now needed to shift their attention to marketing:

The critical thing now is that we have got the product, we have got reasonable efficiencies, we know a fair bit about the growing and the production side, we now have got wineries and winemakers that are up to the mark, so now we need to work very hard at doing the promotion and sales. And we look across the Tasman and we see New Zealand looking back at us, supplying an enormous amount of wine into Australia, and while they have some advantages in currency disparity and in labour conditions, we still need to lift our game. They are expert marketers, and present a very united front as one country.

In addition to there being strong support for collaborative marketing, Tasmanian wine producers were still able to pursue individual marketing activities and partnerships outside of their horizontal networks, a fact which was considered important by many of the producers interviewed. The fact, however, that some Tasmanian wine producers chose not to be members of the state-wide network, WIT, yet still benefited from any generic promotion the network performed, was a sensitive issue among participants. Among others, Producer 18 had a very strong opinion about this issue, and claimed that:

We can't insist that people do certain things, you just can't, but I think it goes against the spirit and it would be nice if the state government was a little more proactive in ways that state marketing occurs.

Producer 24 was a little more positive regarding the need to balance collaborative marketing with what each wine producer chose to pursue at the individual level:

The TVWR is not prescriptive in terms of what individual marketing activities that any winery does for a given purpose. We don't have to ask

them whether we can do it or not, and nobody criticises us for doing it. So even though we are cooperative in the nature that we support each other to the benefit of each other, we still have the right to do other things.

Not all networks were found to exhibit this same degree of cooperative behaviour. For example, many of the participants who were members of both WIT and WineSouth exhibited behaviour that was bordering on individualistic, and was in many cases competitive in relation to their relationships with northern Tasmanian wine producers. Part of the reason for this divergence in cooperative behaviour relates to the maturity of Tasmania's southern-based networks, compared with the TVWR. Additionally, the fact that the southern wine region lacks a well-defined wine route appears to moderate the wine producers' need to cooperate at a network level. Both these sentiments are illustrated in this description of WineSouth:

The Tamar group was established well before the southern cellar door operation...and they also have quite an easier area in a way, in that you go up one side of the river and you come down the other...The southern one is very difficult to do, because we don't have that circuit possibility. So instead of a major circuit with branches off it, we unfortunately have a Huon section, we have an East Coast section, a Coal Valley section, a Derwent Valley section and so on. (Producer 32)

Analysis of the interview data uncovered that members of the TVWR not only cooperate more, but they demonstrate higher levels of reciprocity and mutual benefit. Indeed, this was recognised by wine producers not involved in this network. For example, Producer 30 stated:

They are much more cohesive. Whereas we tend to be more scattered, we are either north, north-east, east, or south of Hobart, and we barely have critical mass in terms of wine routes and other things.

New entrants to the industry had also been surprised by the degree of collaboration they encountered since joining the TVWR:

They're a marvellous mob...everyone scratches everyone's backs, it is just marvellous. I have never been involved with a group of people like that, who have got their own vested interests but have still have got a vested interest in what you are doing. (Producer 23)

To place these types of comments in perspective, this chapter will now explore the specific types of collaborative marketing that Tasmanian wine producers were found to engage in. The first of which was promotion.

8.2.1 Promotion

This study found that the type of collaborative marketing used by Tasmanian wine producers that was perceived to have the most benefit was promotion. In its most visible form, this included state-wide and sub-regional touring route brochures, wine industry events and tradeshow, print advertising, and maintaining generic touring route signage (refer to Appendix G for photos of events, signage, and touring route brochures). Less formal examples of collaborative promotion were also found. The most significant of these was wine producers referring customers to other producers within their sub-regional network, for example the TVWR. Tasmanian wine producers were also found to engage in this type of collaborative marketing at a state-wide level, although it was less frequent and widespread. The findings from previous research, which suggests that cooperative business practices may help luxury wine firms gain more exposure and generate opportunities for publicity and promotion (see, for example, Beverland, 2004a; Taplin, 2010), was certainly supported here. In the premium wine market, where quality and reputation are vital, the success of individual wine producers is contingent upon the region as a whole continuously upgrading its performance indicators. The following sub-sections will now offer insight into how Tasmanian wine producers achieved this through various forms of collaborative promotion.

8.2.1.1 Annual wine route publications

To assist wine routes in attracting visitors to cellar doors, producers often join forces in the production of a wine route brochure, which contains maps and information that visitors can use to navigate their way around a specific geographical area. For a number

of years the TVWR network has produced a very successful wine route brochure, which is given to visitors at TVWR cellar doors, and made available at a number of other central collection points (refer to Image 5, Appendix G). More recently, WIT has begun publishing a state-wide wine route brochure of their own (refer to Image 4, Appendix G), which encompasses information on wine producers throughout the state, including many of the TVWR members. Within the interview data, both these publications were found to offer individual wine producers substantial marketing and sales benefit. First and foremost, wine route brochures were used as a means of promoting a wine business to interested consumers. Furthermore, the WIT brochure represented a valuable vehicle for encouraging collaborative activity at a state-wide level. As Producer 5 explained:

Things like the Tasmanian wine route booklet have been really good, particularly in this area because we are all really small vineyards and it is hard to get people to put hands in their pocket to bring money out to produce a glossy brochure... Being part of that has been really good because we are getting equal representation to the other producers in the state.

In many cases, inclusion in these wine route brochures was the only type of promotion Tasmanian wine producers could afford. For a small fee, Tamar Valley wine producers could join the TVWR network and have their name included in the TVWR brochure, and on the corresponding TVWR website (www.tamarvalleywineroute.com.au). As well as producing the brochures on behalf of their members, the TVWR and WIT organise media releases and public relations activity when each new publication is released. Although the production of both wine route brochures is mostly funded by the third-party advertisements contained within them, to participate in this form of collaborative promotion the wine producer must be an active member of the respective network. For some TVWR members, it was difficult to justify paying the WIT annual fee just so they could be included in the state-wide brochure, when their sub-regional network produced an equivalent brochure for less than half the cost. Producer 29, for example, had been a member of WIT in the past, but had this to say about their decision to forgo their WIT membership:

I just felt we weren't getting enough out of it. Also, being members of the TVWR, there are two brochures, which to me is just hopeless. You need one

or the other. So we will stay with the TVWR because I figured we promote each other around here and it is a good little organisation.

Despite comments such as this, many other interviewees saw the value in being included in both brochures, as it equated to more exposure for their individual cellar door and wine brand. The WIT brochure was also distributed more widely, and was available at key locations where tourists would be entering the state. However, it should be noted that having two similar brochures was confusing for some tourists, and a source of frustration for many TVWR members. Producer 18 stated that:

We pay I think it is \$1500 a year to belong to WIT, so for the members of the wine route we are paying double and we are still producing our own wine route brochure, because the WIT brochure doesn't actually have everybody in it. So people pick this up and they think "oh but"...and we [the TVWR] have this debate on a regular basis, but we continue to produce our own wine route brochure.

Further analysis of the data collected from interviews with TVWR members showed that the TVWR brochure offered its members the most benefit and value for money. For example, Producer 24 had this to say about their involvement in the TVWR, and the benefits associated with continuing a local wine route brochure:

We couldn't afford the marketing benefit that we get through the combined brochure of the TVWR. To do that on your own would be an expense that we couldn't afford...once you get people into the wine route and they discover us, maybe they don't take a bottle with them at the time, but the next thing you know you have got a phone order or an internet order for a dozen bottles of wine because they have come back... [so] I would put it to you that a major benefit is the collaborative venture.

Previous research has found that wine route publications or itineraries are important in advancing wine tourism, and encouraging consumers to discover the characteristics of a wine region (Brunori & Rossi, 2000; Hall et al., 2000). This finding was noticeably evident here, particularly in relation to role of WIT's state-wide wine route brochure. However, sub-regional wine route publications, such as that produced by the TVWR, also appeared to provide a horizontal network with a sense of identity and importance, which acted as a conduit for more successful collaboration.

8.2.1.2 *Wine industry events, festivals and trade shows*

As already alluded to, Tasmanian wine producers were found to collaborate for the purposes of organising and running a number of wine tasting events, festivals and trade shows (for some images of these events refer to Appendix G). Although this type of collaborative marketing is not uncommon in the wine industry, this form of promotion was symbolic of the horizontal networks studied here. All three networks (WIT, TVWR, and WineSouth) had organised and hosted their own wine industry events and festivals, which wine producers could choose to participate in depending on their membership level and access to financial resources. Some events were designed to promote a particular wine sub-region, such as the TVWR's Taste of the Tamar, while others were designed to showcase a wine product category, such as the Red Wine Weekend and White Wine Weekend organised by WineSouth. For all Tasmanian wine producers, the opportunity to market their wines to interstate consumers and trade representatives is available through participation in WIT's Tasmania Unbottled roadshow. This particular type of event uses the synergies of collective action to generate publicity and interest in national markets. It also constitutes one of the network's main collaborative marketing strategies for building the reputation of Tasmanian wine, and for indirectly uniting the industry.

However, interviews with Tasmanian wine producers revealed mixed feelings regarding the purpose and the benefits of this event. On one hand, participants agreed that events like this provide wine producers with the opportunity to showcase their wines in new and current markets. On the other hand, a common perception was that the Tasmania Unbottled events are expensive, and not all that beneficial in the short-term. The following statement by Producer 5 sums up the general feeling in this area:

You know it is going to cost you a lot of money...but basically it's about having a united front... it all adds up to getting Tassie's name out there and to just be part of it.

There were some interviewees, which given their small business size, were disappointed with the outcomes of participating in this form of collaborative marketing activity. A comment by Producer 18 is illustrative of this:

I am not convinced that they are effective. They are effective at raising the profile of Tasmanian wine, but I don't believe they are actually effective at increasing actual sales to the people who have spent the time and money to participate... I really felt quite disappointed about the lack of tangible outcomes for me.

Comments by Producer 15 resembled an equally disappointing experience:

I mean I have been to these expos and interstate wine selling exercises that Tassie has put on, and sort of standing there behind the counter and talking to a lot of people who are just there to get drunk, or really don't know anything about wine.

A combination of bad experience and high cost had led many producers to choose not to pursue this type of a collaborative marketing on a national scale. Instead, participants, such as Producer 19, had opted to invest the time and resources to pursuing their own individual marketing activity in national markets, or be more committed to the collaborative marketing events that were held at a local level:

I became a state member [of WIT] to go on their roadshow... quite frankly I won't be a state member again for a long time, because of the amount of money it costs to go on a roadshow with them.

Likewise, Producer 8 had participated in Tasmania Unbottled events, although, at the time of interview they were questioning:

[Whether] we really want to pay the amount of money you have to pay to do those things. And the jury is out on that at the moment... being a small business we don't have a lot to spend. And we have to spend it the best way we can.

In contrast, the perceptions and experiences of Tasmanian wine producers were more positive in relation to wine industry events they had participated in within their sub-regional networks. This is partly because these events typically involve more members of the network, were a lot cheaper, were less formal, and were overall perceived as more collaborative. This notion of efficiency was highlighted by Producer 32, who when asked why they participated in collaborative marketing events, responded with:

Instead of each of us putting in a stall, let's cooperate together. It makes it easier for us to man it [the stall] and use promotional material.

Similarly, Producer 23 had found the Taste of the Tamar, a wine tasting event run by the TVWR, to be a perfect opportunity to meet representatives from the media:

The Taste of the Tamar is brilliant...we met the people from Winepunters down in Hobart [and] gave them a couple of bottles. They were wrapped and they have been back...to get to know us better.

Other members of the TVWR had an equally positive experience at this event:

One of the things that is coming up is the Taste of the Tamar. That is a perfect example of our [sub] regional group working together to promote the industry. (Producer 4)

Some participants even likened this form of collaborative marketing to that of a party. For example, Producer 24 had this to say:

Well the Taste of the Tamar...you have got a network [and] you have got people that all like each other and get on very well together. For us, it is just a big party. And it is local and we are actually attracting the local people, which are the people that we want to attract.

Many of the state's boutique producers, who didn't have a cellar door, also participated in more local industry events because they wanted to 'be seen as part of a really enjoyable experience' (Producer 22). This element of enjoyment and social interaction is not unusual at industry exhibitions and trade meetings. Previous research by Gilmore et al. (2001), for example, found that while industry exhibitions and committee meetings exude a certain degree of formality, they do create many opportunities for social interaction among SMEs.

In this research, some of the larger participants were supportive of collaborative marketing events because of the publicity they generated. Although these participants did not consider this type of activity to be a core component of their individual marketing strategy, they continued to participate because of their desire to help out their smaller network members. For example, Producer 16, a mid-sized firm located in Tasmania's south, stated:

I am not relying on those for my business to be successful. But there are other smaller wine producers who do rely on them because they don't

have the other systems in place or because they don't have the bigger volumes and economies of scale.

There were a small number of respondents that were most concerned with achieving the immediate marketing objectives of their own business, and for this reason, had opted out of participating in collaborative marketing events like Tasmania Unbottled.

Similar to the TVWR and WIT, WineSouth members also participated in collaborative marketing events, such as the Red Wine Weekend and the White Wine Weekend. These events, which involve wine producers showcasing each other's wines to the general public, media, and trade representatives, are somewhat unique in their format. That is, rather than the wines being arranged by individual brand or vineyard, WineSouth opts to arrange the tables at their events by variety and style. Consequently, participating wine producers are required to promote, and show members of the public, not just their individual wines, but wines from competing vineyards. Not surprisingly, this novel take on collaborative marketing uncovered an element of competition within the WineSouth network, and ultimately, this detracted from the benefits members received from this activity. A number of WineSouth members admitted that although these events were something they participated in, they did not necessarily enjoy, or see the value of, such activity. Producer 12's comments illustrate why this was the case:

We take part in the wine stalls at the Jazz Weekend and we did go to one of the Red Wine Weekends last year. I was pretty disappointed in that because I found it chaotic. You were expected to serve somebody else's wine and talk to the consumer about it. I had no idea. You know I am there to present [own business name], nothing else. So I didn't want to go back to that... I find that sort of approach quite amateurish.

Producer 30 was also 'a little uncomfortable' with WineSouth's approach to collaborative tasting events. Yet, despite the uncertainty surrounding the value of tasting events some horizontal networks organised, overall, this study found that collaborative marketing events were a significant opportunity for wine producers to promote their own products, and that of the state as a whole. A point which was illustrated by Producer 13:

If they come and taste that and then go away and say “wow the Tassie industry is really good” and the next time they go out they will see Tassie on the list. So as a general thing I think it is good.

Collaborative tasting events were also one of few opportunities for a large number of wine producers to interact, and thus this type of collaborative marketing had a vital role to play in encouraging social relationships and network bonds.

8.2.1.3 *Advertising, sponsorship and public relations*

This study found that Tasmanian wine producers also collaborated for the purposes of joint print advertising, sponsorship and public relations within their horizontal networks. From an advertising perspective, there was some evidence of wine producers organising collaborative advertisements in print media such as a local touring guide, wine related magazines, or national newspapers. Respondents were motivated to participate in this type of collaborative marketing primarily because of the cost savings it provided. Also, Tasmania’s small wine producers would not have room in their budget to pay for a large scale advertisement in a national newspaper, unless they collaborated with other wine producers in their area. Producer 3 was one of only a few producers to discuss collaborative advertising and its benefits during their interview:

One thing that the TVWR did do is take out a full page ad in the *Northern Touring Guide* for Launceston, the Tamar and the North. I think the ad was six thousand dollars and everyone put in a couple hundred dollars. So things like that we are happy to take part in...if we can see any kind of benefit, whether it be to Tasmania, the TWVR, or for our individual wine brand.

Further analysis of the data revealed that collaborative advertising provided horizontal network members with largely tangible and immediate outcomes. This is compared to the more long-term and intangible outcomes that respondents perceived were associated with wine tasting events, and other forms of collaborative promotion that involved social interaction. Because joint advertising does not necessarily facilitate, or require, the same level of social interaction, many participants felt this type of collaborative marketing was just a normal part of the network’s activities. In other words, compared with

participating in collaborative marketing events or organising wine route brochures, whole of network advertising was not considered to be collaborative marketing *per se* because it did not involve the same level of commitment, trust and interaction. Rather, collaborative advertising was found to be more of an example of network coordination, whereby members organised activities for the mutual benefit of cost savings.

Analysis of secondary, and interview, data also showed that all three horizontal networks collaborated for the purposes of public relations and sponsorship. The TVWR, for example, sponsored a number of local charities and relevant business groups in the community on behalf of their members. One of their main sponsorship agreements is with a northern Tasmanian charity, to which they donate a portion of their profits from the Taste of the Tamar. As well, this network sponsors awards at various national and international wine shows. Other less formal examples of sponsorship pursued by the TVWR include members donating their wines to art gallery openings, commerce group meetings, and special occasions.

At a state-wide level, the WIT network coordinates a large portion of public relations activity on behalf of its members. A key component of this activity is the network's visiting journalist program, to which members can subscribe if they have opted for the state or national membership category. Every member, however, has the opportunity to be mentioned in local media stories, and to be interviewed by wine writers WIT invites to the state. The main motivation for networks pursuing public relations at a collaborative level was the need to promote Tasmania as a whole, in order to build its reputation in national and international markets. This theme was captured in the comments by Producer 13:

I think the Tassie industry is just on the cusp of getting out there. You see it much more in publications then you used to, you hear about it from a lot more sommeliers and journos [sic], and things like that. So I think it is at the beginning, and now we have got this interest, we have to come forward with the product.

Like the TVWR and WIT, WineSouth members coordinate public relations activities jointly in the lead up to their main collaborative events, such as the Red Wine Weekend and the White Wine Weekend. In these pieces, members who are participating in the event benefit from the increased public exposure that collaborative media releases and news stories bring.

8.2.1.4 *Word-of-mouth referrals between wine producers*

Most of the wine producers interviewed acknowledged that referring customers and cellar door visitors to other vineyards in their area was one of the most valuable forms of collaborative promotion horizontal networks pursued. Participating in this type of collaborative marketing was particularly valuable to smaller wine producers, who could not afford large scale advertising in key tourist markets such as Melbourne or Sydney. The following quote from Producer 24 demonstrates this point:

Referrals from other vineyards...it is a great cross pollination [sic] thing where we get people who come here and they say “we were told to come here”...because there was something in particular that they wanted. So that is a good start, because keep in mind with a small vineyard with only 600 or 800 cases a year, you can’t imagine that we have got an enormous advertising budget. And to take out full pages in the *Weekend Australian* or anything like that, we just don’t do it, it just doesn’t happen. So we have to rely a lot on word of mouth advertising... That is one of the greatest strengths of our cooperative venture. (Producer 24)

Some networks, such as the TVWR, had even formalised this process by declaring in their code of conduct that all members must participate in this type of collaborative marketing when the opportunity presented itself. To facilitate this, the TVWR had drawn up a list of all its members and their wines, which was regularly updated whenever an individual producer launched a new wine, or new producers entered the network. A number of interviewees indicated that this process allowed them to make accurate and unbiased recommendations to their customers. From a marketing perspective, this list acted as an important instrument for word-of-mouth advertising between wine producers and their customers:

If somebody wants a wine that we don't have, we don't just say "well bad luck", we have a look at the list of who produces what, and we direct them to the next appropriate cellar door. (Producer 26)

Some wine producers had even experienced surprise reactions from their customers when they brought out the list at their cellar door. Producer 20, for example, commented that:

One of the things that people often say to us is, "we can't believe that within your industry you actively send people down the road". But again, it comes back to the fact that I may not have what that person is looking for.

A number of other participants indicated that they would happily refer their customers to other Tasmanian wine producers, even though, they understood the damage such a strategy could inflict on their customer loyalty. The fact that Tasmanian wine producers were found to engage in such activity, demonstrates a strong level of trust is present within the networks. This was evident in many respondents declaring that if they referred a customer on, they felt assured that the benefiting party would return the favour. The role of trust will be discussed in further detail in the following chapter. Another reason why so many Tasmanian wine producers engaged in word of mouth referrals was because they had previously established strong social bonds with others in their network, a point which was highlighted by Producer 20 when referring customers to others in the TVWR network:

I have no problems at all in sending them down to [Producer 2], because of where we are, or sending them to [Producer 3], or sending them to [Producer 17]...I have got to know these people, and I know that they have got quality wines...if you can help enhance that by giving a personal recommendation, then I think that is good for our industry because it is promoting not only your brand, but it is promoting other people.

Producer 29 also indicated how the fact that the immediate producers in their area all referred customers onto the next cellar door, contributed to the strong bonds that existed within the industry:

I think that is probably why we all get on, because we just send them on to the next one, you must go down to the next one. If there were more of us out

here it might be a different story and it might become more competitive then, but at the moment it is not.

There was also some evidence of word-of-mouth promotion occurring between wine producers and associate businesses in that region, the most common of which was referrals between wine producers to restaurants, accommodation providers, or tourist attractions. When this type of cross-industry collaborative marketing occurred, the same degree of reciprocity was found. However, the wine producers did not appear to trust the associate businesses in the same way. This was possibly because the wine producers had stronger bonds, and interacted more, with the actual members of their networks. Furthermore, referrals between wine producers exerted the most amount of direct benefit, as illustrated by Producer 33 in relation to the TVWR network:

We give away a lot of wine as a group to different functions to promote the area. We organise functions like the Taste of the Tamar, but most importantly we refer people to each other. And when I look at my business, most of the people I get through my cellar door are referred here by other cellar doors. (Producer 33)

This comment highlights that word-of-mouth promotion between horizontal network members could obviously lead to increased sales for the individual producers involved, and as a whole, the profitability and resources of the network. But, this type of collaborative marketing was found to offer the individual wine producers indirect benefits also, such as enhancing the customer's image of their wine brand, and improving the wine producer's reputation within their network. As an example, Producer 5 indicated that referring visitors on made them „seem like good blokes', both with their customers and other wine producers in Tasmania. In addition, this type of collaborative marketing granted individual wine producers more strategic and long-term benefits, such as adding to their customer database and attracting new customers to their loyalty program. Word-of-mouth referrals were also found to contribute to a network's capacity to project the image of a wine route to local residents and wine tourists.

Previous research has found that wine producers are open to word-of-mouth promotion of other area producers when consumers visit their cellar door for tastings (Telfer, 2001a).

As concluded by Telfer (2001a) this type of collaboration demonstrates the wine producers' commitment to promoting the wine region beyond their self-interests, and the commitment they have to one another. In this study, there was strong evidence of Tasmanian wine producers not only sharing cellar door customers, but also engaging in word-of-mouth promotion at the trade and distribution level. Many of the TVWR members, for example, had assisted each other to get onto restaurant wine lists, or be introduced to new distributors. Larger producers involved in the WineSouth and WIT networks had also been instrumental in assisting small wine producers to enter new markets and explore new initiatives. This supports previous research which found that New Zealand small to medium-sized wine producers engaged in horizontal networking for the primary purpose of promoting the region's label ahead of their own (Chetty & Wilson, 2003).

8.2.2 Product benchmarking

This study found that Tasmanian wine producers also engaged in collaborative marketing for product development and improvement purposes. In some cases this involved formal collaborative tastings where technical knowledge was openly shared within the network so to drive winemaking or viticultural improvements. However, informal benchmarking, such as showing up at another wine producer's cellar door with a bottle, was the most prominent type of product development and marketing. Many participants indicated that informal benchmarking sessions within their sub-regional networks had provided them with an opportunity to refine their winemaking or grape growing techniques. This then had flow on benefits to the quality of their wine, and ultimately the sales and marketing of their product. Previous research has indicated that research and development, and knowledge sharing, within the wine industry is inherently collaborative (Marsh & Shaw, 1999; 2000). In particular, SMEs are limited in their ability to access innovation and product benchmarking opportunities, unless they collaborate with other firms. Furthermore, Taplin (2010) highlighted that because of the annual uncertainty around the quality of the final wine product, choosing not to cooperate and share information with

other wine producers was a strategy fraught with risk. In this research study, Tasmanian wine producers openly shared knowledge and gave advice, and this was perceived to be in the spirit of „healthy competition’. For example, Producer 5 explained:

There probably is a friendly competitiveness and that is normal because it is a form of benchmarking. People get other ideas and people always do that and that is healthy. (Producer 5)

The majority of Tasmanian wine producers interviewed were also comfortable tasting and critiquing each others’ wines, because they recognised that this type of collaborative marketing would improve the overall quality of the industry’s output and reputation. The following extract from an interview with Producer 18 illustrates the normality surrounding this activity:

Those that actually produce their own wine will happily talk about the technical side of winemaking. We will all discuss and criticise each other’s wines from a taste point of view.

This type of collaborative marketing had even led some WineSouth members to alter the style of their wines dramatically. Producer 15, who owned a small vineyard and cellar door in Tasmania’s south, noted that „we have actually changed our Riesling style this year because of that...it was the driest Riesling each time’. This example of product development had come about through producer benchmarking and informal tasting at a WineSouth collaborative marketing event. Similar occurrences were identified within the TVWR network, whereby producers took the opportunity to try each other’s wines at monthly network meetings, and the network’s larger scale events and social occasions.

Overall, collaborative benchmarking and product development demonstrate a high level of coordination within Tasmania’s sub-regional horizontal networks and at a state-wide level. Nearly all the producers interviewed recognised this type of collaborative marketing activity to be one of the most valuable forms of network activity, especially because it promoted quality improvements at an industry-wide scale. Although this activity provided producers with the opportunity to imitate and potentially „steal’ ideas from other producers, there was no evidence of individualistic behaviour occurring in this

way. Instead, wine producers appeared more than happy to critique, and receive criticism or advice from their fellow network members. Indeed, there was evidence of some producers even altering their viticultural techniques in order to address issues raised during benchmarking sessions. This contradicts prior network research which suggests firms in horizontal networks are less likely to coordinate their activities with one another because of their perceived competition (Andresen et al., 2009).

8.2.3 Product bundling

In addition to sharing resources and ideas for product development purposes, some Tasmanian wine producers had formed product bundles, which comprised wines from different vineyards sold and delivered as a package. Interviewees from the TVWR network, for example, were very proud of what they termed „the vineyard dozen’. This product bundling initiative allows customers to purchase twelve bottles of wine from their choice of vineyards in the TVWR network, and then have these products packaged and delivered for a single freight price. To facilitate this service, members of the TVWR assisted each other with the compilation of the product bundle, and then coordinated the cost of freight. Importantly this initiative was also promoted to consumers via the TVWR touring route brochure, and in person at the cellar doors. Similar evidence of product bundling was found within the WineSouth network. However, their initiative was less formal and unplanned compared to the collaborative effort undertaken by the TVWR.

Other more specific examples of product bundling were also cited by some smaller interviewees. Producer 24, for example, continues to offer a „Gold Dozen’ of Tasmanian medal winning pinot noirs to their customers each year. On certain occasions, this product bundle did not even contain any of Producer 24’s own wines. However, as their comments below demonstrate, this was still a worthwhile example of collaborative marketing activity:

We also do another bit of interesting marketing where we follow the Tasmanian wine shows, and the gold medal pinot noirs from small

vineyards...we then buy a lot of that wine and we create a mixed dozen of gold medal wines and we call it the Gold Dozen. We release a golden dozen every year, and that has been very successful.

Producer 24 also indicated that they collaborated with nearby vineyards and tourism enterprises to ensure that „we are all roughly open around the same time so that everybody can take full advantage’. Other members of the TVWR had taken this one step further by raising the idea of developing a collaborative TVWR cellar door at a network meeting. This concept was explained by Producer 33, who stated:

Because everyone shuts down for winter...I have spoken to [Producer 17] and [Producer 20] about maybe keeping their cellar doors open from say, June through to September and making them collaborative cellar doors... I am talking about ten or fifteen vineyards having their wine available for purchase...you do a rotation roster...and the producer that owns the cellar door either gets a lease fee out of the group, or they get their wines constantly on the pour... that is the only way that we can compete against the big guys that are open all year.

Examples like these demonstrate that certain horizontal networks have achieved high levels of activity coordination and trust. It also shows that a large portion of the collaborative marketing undertaken by the TVWR is pursued because of the mutual benefit it offers.

8.2.4 Regional branding

So far, this chapter has established that collaborative marketing enables horizontal networks of Tasmanian wine producers to promote, improve, and generate more awareness of their individual wine product. However, horizontal networks also have an important role to play in establishing and maintaining regional branding for the producers involved. Key examples of this, in context of the Tasmanian wine industry, were the regional branding activities pursued by the WIT network and the TVWR.

Most of the wine producers interviewed acknowledged that the more consumer awareness there is of the Tasmanian wine brand, the more their individual wine brands will benefit.

Thus, horizontal networks and collaborative marketing activities provided wine producers with the opportunity to be recognised as part of a wider umbrella-type brand. One of the reasons for this importance of regional branding was the overall size of the industry, and the fact that as a state, Tasmania accounts for less than one per cent of Australia's total wine output (refer to section 1.3.2 of Chapter One). The following comment from Product 14 illustrates these themes:

I think Tasmania is so small that we need to promote Tasmanian wine first...of course we have to promote our own vineyards and our own style and brand, but I think there is a lot to be said for working together as a group.

Overall the data support a basic understanding that wine consumers, trade representatives, and wine journalists, tend to be more involved with wine regions and countries, rather than individual wine brands. For example, a number of wine consumers have a clear preference for sauvignon blanc from New Zealand or the Marlborough region. Similarly, consumers may choose to buy only French Champagne when celebrating a special occasion. Due to its cool climate and unique growing conditions, Tasmania has earned a regional reputation for pinot noir and sparkling wines. Although the overriding view within this study was that collaborative branding provides individual wine producers with significant benefit, there was some debate regarding the merits of branding Tasmania as the one GI region, versus the need to promote sub-regional brands. The argument for the latter rests on two main reasons. Firstly, sub-regions such as the Tamar Valley and the Coal River Valley differ in their climate and growing conditions, and therefore, produce slightly different styles of wine. Secondly, Tasmania is too large a wine region to be promoted under the one umbrella brand. In the words of Producer 19:

Tasmania is too big as a region...as people get more and more educated [the closer we get to] the TVWR being a global indicator. And I don't believe that we need to go there yet...But it is really the only thing that is stopping the TVWR going "phewsh" and really blowing itself up.

In contrast, Producer 32, who was a member of WineSouth and WIT, had this to say in response to the issue of sub-regional branding and the power of certain networks:

I think one of the things that we have got to remember is that we are all Tasmanians, and we have all got to pull together. It is not going to do us any long-term favours to our industry if we don't work together. And that is one of the lessons that I think has come from New Zealand. You go to an event and you see New Zealand. Okay, they might have their sub-regions, but the big push is where New Zealand is.

Evidence of WIT's efforts to brand Tasmania as a single region was a popular topic during a number of interviews, and an issue that sparked a great deal of debate. Although Tasmania is often promoted as comprising four sub-regions, this study found that the TVWR is the only network to be actively pursuing a sub-regional branding strategy. One of the main reasons for this is because this network represents the largest collection of wine producers in Tasmania. Additionally, this network comprises strong relationships between its members. Hence, they believe that their branding efforts will be more successful than what can be achieved by WIT at a state-wide level. Consequently, the initial collaborative branding activities pursued by the TVWR have resulted in some conflict between the Tamar Valley wine producers, and those located in regions outside of this network. The implications of such conflict will be covered in Chapter Nine, where the factors that affect the success of collaborative marketing will be discussed in more detail.

8.2.5 Distribution

Overall, this study found that most examples of collaborative marketing were designed to achieve promotion, branding or product development objectives. However, analysis of the interview data did uncover a number of examples where Tasmanian wine producers had informally collaborated for the purposes of distributing their wines in existing or new markets. At the network level, a number of TVWR members had volunteered to stock each other's wines in their cellar door. More broadly, many smaller Tasmanian wine producers had introduced one another to their personal distributors and sommeliers, which in some cases, had led to formal collaborative distribution arrangements and

contracts forming. A common example of how wine producers collaborated for the purposes of distribution is captured in the following comment:

[There] were a couple of companies that were keen to get into the Melbourne market so I introduced them to my distributors. They can work it out between them if they want to do something or not. (Producer 13)

Producer 25 also indicated how another member of the TVWR network had „sold some Cabernet for me and got that into [restaurant name]’, while others spoke of distributing each other’s wines in their own cellar door:

Downstairs we sell [Producer 25]’s wines because they only open on a Saturday and Sunday. So the rest of the time I sell their wine, and they sell some of our wine too. So we are happy there. (Producer 27)

Producer 13 had also collaborated with another member of the WineSouth network in the form of a „piggyback’ distribution strategy, as illustrated in their statement:

I have thought about approaching them for access to America...It is pretty expensive to get your wine over there, when you are starting out especially. If you can piggy-back onto a container and [use Producer 14]’s distribution and import licence into America, you are cutting out two middlemen. (Producer 13)

Producer 10, a member of the WineSouth network also, was found to be amidst discussions with other wine producers about venturing into the Western Australian market together. In another interview, Producer 33, a member of the TVWR network, indicated that they were toying with the idea of bringing together a group of smaller producers and employing a mainland Australia agent, which they described as being „a collaborative effort if we pulled it off’.

8.2.6 Pricing

Analysis of the interview data revealed limited evidence of Tasmanian wine producers engaging in collaborative marketing for the purpose of price setting or price strategy.

Previous research has found that collaborative pricing strategies between horizontal network members result in prices being set at a reduced level (Dickinson & Ramaseshan, 2008). However, this was certainly not the case here. Further, firms may also collaborate for pricing purposes by offering compatible or bundled products, and then reaching an equitable pricing agreement, as was highlighted in section 8.2.3 above. In this study, the only other example of collaborative pricing was cited by a member of WineSouth, who had informally discussed the idea of ‘pushing up the price of pinot’ with a small group of producers from the same network. It was not clear to what extent these producers shared financial information in order to coordinate the price setting of their pinot noir collaboratively.

Overall, the need to collaborate for the purpose of price setting or price reduction was considered irrelevant, because Tasmanian wine produces market a premium product, and the costs of producing such wine leave little room for price collusion. Instead, this research found that Tasmanian wine producers were more likely to set their prices independent of one another, and in accordance with a differential strategy based on superior quality, rather than low costs (Hill, Jones & Galvin, 2004).

8.3 Chapter summary

Overall, this chapter has shown that Tasmanian wine producers participate in a range of collaborative marketing activities within their horizontal networks. Although many interviewees questioned the short-term and quantifiable benefits they received from participating in collaborative marketing, most continued to support this aspect of horizontal networks because of their desire to support the industry and promote a united image. This chapter has also noted that some types of collaborative marketing provide Tasmanian wine producers with a valuable opportunity to socialise, share knowledge and technical information, and interact with others. Some interviewees, however, questioned the value of state-wide collaborative marketing compared with the individual marketing and promotion they did on their own. Other producers were found to evaluate the value of

state-wide collaborative marketing activity according to their past experiences, or in comparison with what they had engaged in at a sub-regional level. Overall, collaborative marketing activities that are specific to a sub-regional area, allow opportunities for social interaction, and which involve a fair investment of time and money, were perceived to be the most beneficial.

CHAPTER NINE

FINDINGS AND DISCUSSION PART THREE

9.1 Introduction

This chapter constitutes the third and final part of the findings and discussion chapters of this thesis. As such, it addresses the final research question, which considered the factors that affect the collaborative marketing pursued by Tasmanian wine producers in the three horizontal networks identified in Chapter Seven. The following discussion outlines a range of structural and contextual network conditions that, when present, enhance the environment for collaborative marketing and improve the likelihood of Tasmanian wine producers benefiting from such activity. In addition, an analysis and discussion of the factors that hinder or threaten the success of collaborative marketing will be offered.

9.2 Enhancing collaborative marketing in horizontal networks

Drawing on the discussion of successful inter-organisational relationships and networks outlined in Chapter Three, this thesis sought to identify the factors that add value to a specific form of network activity, collaborative marketing. Analysis of the interview data revealed that, in the context of the Tasmanian wine industry, a range of factors affect the type of collaborative marketing undertaken within horizontal networks, and more importantly, the perceived benefit Tasmanian wine producers associated with this activity. Some factors are classified as necessary conditions of horizontal network relationships, such as trust, respect, mutual benefit, and shared contribution and commitment. Other factors were classified as more structural in their nature, in that they enhanced the coordination and benefits of collaborative marketing activity. Frequent and open communication, critical mass, geographical proximity, producer diversity, and formal governance and transparency fall into this latter category. Finally, there were some

factors that appeared to be unique to the Tasmanian wine industry, and indeed, some networks within the Tasmanian wine industry. In particular, camaraderie, tradition and history, and the notion of industry leadership were found to influence the level of enjoyment and value producers associated with collaborative marketing and horizontal network activity. The aforementioned antecedents to inter-competitor collaboration will now be outlined below, along with a discussion of how the findings relate to current theory and prior research.

9.2.1 Critical mass and geographic proximity

In support of previous network and cluster studies, the first factor found to affect collaborative marketing within horizontal networks was the number of producers involved in the network, and their geographical proximity to one another. In this study, critical mass was operationalised as the sum of producers involved in a collaborative venture or located within a particular region (Porter, 2000). By and large, having a critical mass of wine producers located within close proximity was found to make the process of coordinating collaborative activity within horizontal networks much easier, and faster. Many of the wine producers interviewed indicated that it was convenient to meet, share resources, and engage in collaborative marketing, with the producers located in their immediate area (for example the Coal River Valley) or sub-region (for example the Southern wine region). Critical mass and geographical proximity were also shown to enhance wine producers' perception of collaborative marketing, because of the flow-on effects to building reputation and awareness. Further, the more wine producers located in the one geographical area, the better, as this helped to attract a larger number of potential customers. A comment by Producer 19 illustrates this:

The more people that visit [Company X, Y, and Z] the more people that are likely to call into mine. So I don't consider any one of these wineries around me competition at all, not a single one.

In a similar way, interviewees felt critical mass was important to building the reputation of Tasmanian wine as a whole:

I think we are all passionate about what we do and we all think our own label is the best. But, we certainly understand that the more people that are in our region, the more we are taken seriously as an industry. (Producer 20)

A more specific illustration of how critical mass and geographic proximity led to higher value collaborative marketing being pursued at the horizontal network level is exemplified by the TVWR. Producer 20, a member of this network, believed that the „concentration of wineries within the Tamar Valley...sets us apart.’ Similarly, Producer 18 said that members of the TVWR network would often ring each other of a Friday afternoon and organise a social barbeque or gathering. The central role of critical mass and geographic proximity was also recognised by members of WineSouth, one of whom stated:

I think it is more difficult down here is that we have the Coal River Valley, we have got the Huon, the Derwent, whereas the Tamar is really all around the one geographical location. Quite frankly, if the Coal River Valley [producers] had their own group, it would be really strong and completely different. (Producer 15)

Another strong theme was the relationship between geographical proximity and critical mass in terms of generating consumer interest in both the sub-region, and the collaborative marketing activities the region pursued. At a state-wide level the vast geographic distance between northern and southern wine producers did little to enhance collaborative marketing, in fact, many perceived it to be a barrier. Comments from Producer 18 illustrate the reasons for this:

If the entire Tasmanian wine industry lived in the Tamar Valley, I think we would have a much stronger focus and better known [state-wide] organisation...But, because we are so widely spread... it is really hard to just have a meeting. It involves a two hour drive for that lot or a three hour drive for us, and then there is the organisation ...at the moment trying to coordinate our interests with people in the Coal Valley – good luck, it is too hard.

The data also showed that it was possible that the number of producers located within a sub-region could exceed optimum capacity, after which the individual producers’ slice of the „promotional pie’ became smaller, and they became less motivated to participate in horizontal networks and collaborative marketing activity. Although most Tasmanian wine

producers did not necessarily consider their neighbouring vineyards to be competition, some did acknowledge that if there were more producers in their sub-region then „it might be a different story and [it] might become more competitive’ (Producer 29). Producer 32 also acknowledged that because Tasmania was still the one single GI region, it was becoming more competitive with:

[New] labels popping up every year... [And] they are all fighting for a bit of shelf space and a place on a wine list.

Further comments such as „it has actually been happening ever since I have been involved in the industry, but the numbers were always smaller back then’ (Producer 6) indicate that a producer’s perception of collaborative marketing is related to what they consider is a reasonable network size. There was some evidence of size being an issue at the state-wide level. For example, some interviewees felt that the WIT was incapable of representing the increasing number of wine producers in Tasmania in a mutual way, and thus their role should be taken up by the sub-regional networks that are smaller in size. Analysis of the interview data also revealed that as the number of producers within a horizontal network increases, members may become less willing to share information and their experiences with the whole network. Instead, Tasmanian wine producers appeared to form sub-groups within the network, and often these groups were formed between producers located in the same geographic area. Although new industry entrants are positive for the industry as a whole, it has had the indirect effect of making some of the active networks more „business-like’, and less personal. This has implications for the nature of interaction and collaboration more generally.

As another example, the expansion of the TVWR both in terms of number of members and geographical area appeared to threaten the longevity and collaborative nature of this horizontal network. A number of TVWR members expressed concern that the network was attempting to satisfy producers from all three distinct geographical areas within the region, and by consequence some members felt they were receiving less benefit from collaborative activity. For example, Producer 22 indicated that:

I think the biggest challenge is that the TVWR is getting quite big. A while ago there was a real push to move people [tourists] around in a day, whereas you can't do that anymore... So the size is the real issue.

Other TVWR members, such as Producer 29, had responded to the size issue by forming closer relationships with the producers in their immediate area. They described the benefits of this in the following way:

The four of us have got together a few times and put ads in the newspaper... we work very closely together... we have become really good friends... so we all try and help each other.

Comments from another wine producer in this area also underlined the presence of sub-groups within the TVWR, and collaborative marketing activity that had resulted from this:

Well Producer 4 had been talking about having a market there for quite a while, and at one of the wine route meetings, I think Producer 29 and I were complaining about the lack of business through the cellar door... they wanted to do it as part of the TVWR... it finished up that it was just a local group.
(Producer 25)

Analysis of other data suggested that some forms of collaborative marketing, such as interstate marketing events, are reliant on the number of Tasmanian wine producers that participate. Having a critical mass of wine producers participate in collaborative marketing activities, such as Tasmania Unbottled and the state-wide wine route brochure, granted greater public attention and thus enabled the network to achieve its objectives of raising awareness of Tasmanian wine. Comments like: „going with a big group has more chance of attracting people to an event than if we had just gone up and done something on our own' (Producer 1) and „most producers are aware that when you go to the mainland there is weight in numbers and to actually get attention we need to work together' (Producer 4) support this view. Producer 6 was also representative of this theme, albeit from more of a strategic perspective:

Firstly we had a hunch that collaborative marketing has still got some mileage. That is assuming that by grouping up with other wineries you actually gather momentum rather than losing customers to the others. That is quite a critical decision, because effectively, you are inviting your followers into the same room as your competitors.

This last comment does, however, imply that the affect of critical mass on collaborative marketing may not always be positive. That is, by increasing the number of producers involved in a collaborative venture, the perceived level of competition may also increase. Previous research by Taplin (2010) offers one possible explanation for this. As the number of producers in a wine region increases, each business feels more pressure to differentiate, which in turn introduces an element of competition. A number of this study's participants supported this view. However, due to the characteristics of the Tasmanian wine industry, Producer 19 felt that:

I don't care if I bring them to something where they meet all these other guys. I might lose one or two of them to somebody else, but I might pick up three or four more. I think it is important that we stick together as a group.

The influence of critical mass also builds on previous research which has suggested that the size and structure of business networks is important (Uzzi, 1997). For every new member, a business network obtains more resources, knowledge and expertise. Comments from Producer 19 demonstrate how the research findings support this:

We need lots of people and a diverse series of businesses to become independently wealthy and make these districts work.

The significance of geographic proximity is a topic that has attracted interest within the network and small firm literature, particularly in the context of tourism (Bureau of Industry Economics, 1995; Hill & Shaw, 1995). Geographical proximity has a positive effect on collaboration because it helps to facilitate face-to-face interaction between the firms involved, and thus greater sharing of knowledge (Inkpen & Tsang, 2005). However, this assumes that to collaborate, firms need to be physically close to one another so they can discuss things in person. From a social standpoint, face-to-face interaction can assist in the development of social capital. In horizontal networks, frequent and close personal encounters between members have been found to lead to the establishment of positive behavioural norms (von Friedrichs Grangsjö & Gummesson, 2006), which then contribute to an environment more conducive to collaboration.

In this study, most interviewees understood the role of critical mass from a resource or promotional point of view. That is, the greater the number of wine producers participating in a promotional campaign, the more resources the network had, and the media attention the network as whole could obtain. This exposure was then filtered throughout the network, which in turn, enabled the individual producers to leverage the promotion of their own product range. The following quote from Producer 6 is representative of this:

I think overall because each winery is so small, a collaborative effort seems to be always paying dividends. And it pays dividends to the higher profile established players...but the small guys can play on their exclusivity...the power of collaboration means that you get critical mass, which you can't achieve on your own scale.

Other participants recognised the undeniable benefits associated with „weight in numbers’ (Producer 11), and that it is „very hard to just market yourself’ (Producer 1). The fact that larger wine producers were found to be equally supportive of collaborative marketing is a very positive aspect of horizontal networking in the Tasmanian wine industry. This finding was supported by Producer 29, who indicated that having one of Tasmania’s largest wine producers as their neighbours, had been „extremely good [and] extremely helpful, because I think they want to keep us afloat as well’ (Producer 29). Ultimately, the involvement of a number of both large and small wine producers meant that the outcome of collaborative marketing was perceived to be one of mutual benefit, particularly when the activity was pursued at a sub-regional network level.

9.2.2 Producer diversity

In addition to networks having a critical mass of members located in the same geographical area, the degree of producer diversity could also affect the perceived value of collaborative marketing. In Tasmania’s wine industry, all three horizontal networks comprised a diverse range of wine producers, both in terms of size and background. Thus, in this context, producer diversity enhanced the range of resources the network could draw upon, and more importantly, led to the common perception that Tasmanian wine

producers do not compete ‚head-on‘ with one another. A number of interviewees supported this view, for example Producer 10 felt that ‚all the producers that are included [in collaborative marketing] should be different so they are not stepping too much on our toes‘. By the same token, Producer 11 stated:

Everybody comes from a different angle and it is up to us to be able to portray that to the interested parties whether they be restaurants, your normal wine consumer, or a distributor who is looking for something different.

Producer 16, who was a member of the WIT network, added:

I don’t know what your experience has been with the rest of Tasmania but I think because we are doing something so completely different that we all find our own customers, funnily enough.

On the whole, diversity in any form was found to have a positive effect on collaborative marketing activity. However, a number of interviewees spoke specifically about how securing a mix of more-established wine producers and next generation winemakers could add value to collaborative marketing. This was because the more-established wine producers had the experience and expertise, while the ‚younger‘ wine producers could provide the drive and enthusiasm necessary for achieving the network’s objectives. This was also shown to have a positive influence on the success of the network:

As much as there are the old kooks [sic] in there, there is enough young blood in there now and motivated young people to drive it, that we are really starting to grow as a group. (Producer 19)

Producer 24 also explained how producer diversity within the TVWR network was important ‚because we all add a bit at the meetings‘. Comments from Producer 7 also support this view:

You know, it is excellent the TVWR. Everybody works very well together and there is a good mix of people with different skills that are coming together... They have such a diverse group of people now on that committee, with a lot of different skills and so it is just growing from strength to strength. I think the diversity and cooperation with people are its strengths; it is definitely its main strength.

Although the WIT network was not perceived to be as „collaborative’ as the TVWR, producer diversity still had an important role to play:

Everybody sees things differently, and that is where the strength of the organisation comes from – the diversity of experiences and interests.
(Producer 32)

This theme of knowledge sharing and diversity was common within the data, and particularly important to smaller wine producers, one of whom was Producer 20, who found their involvement in the TVWR network to be valuable because:

Some people through their life experience have more experience in different things... Diversity is important because those bigger players...they have got that branding...they have got that following already behind them, so that helps attract people to the region.

Moreover, producer diversity also had a positive influence on a network’s ability to attract new members, and encouraging smaller wine producers to participate in collaborative marketing activity. This was illustrated by Producer 24, who said: „[diversity] increases the variety and encourages people to come more’. Likewise, producer diversity enhanced the value and appeal of collaborative marketing events such as Tasmania Unbottled:

I think one of the strongest thing people say to me is that it is good to see small producers who don’t even supply to these markets going there, because the customers come to see that. So helping the small guys to be there is a big thing for the future [of the event]. (Producer 10)

However, from a somewhat different perspective, Producer 32 felt that in some cases, having an imbalance of small and large producers involved in collaborative marketing could lead to problems, such as:

The smaller guys are going to get a lot more out of it than the big guys...the small guys need the big guys but the big guys don’t necessarily need the small guys...that is where some of the problems arise.

Producer 19 had experienced similar problems within the TVWR network, but at the same time they acknowledged that:

To attract a thousand people you need to have that diverse group of people there...it is important that we make sure that the [smaller] people who can be quite problematic in the network are happy.

This last comment is supported by previous research, which found similar divisions between the lifestyle entrepreneurs and large wine producers in New Zealand wine tourism networks (Hall, 2003). Such a division resulted in non-cooperative behaviour between these two groups, a fact which is evident in the comments above. However, Hall (2003) also acknowledged the important role of the smaller, and more lifestyle-oriented wine producers for adding character to a wine region (Hall, 2003). There was also some evidence of underlying divisions between the wine producers within horizontal networks, on the basis of the wine producer's background and commercial activity. For example, some Tasmanian wine producers who had been in the industry for the same amount of time, had a somewhat dubious opinion of wine producers that appeared to be more lifestyle-oriented and not as serious about making their own wine. In which case, producer diversity could prevent network consensus and agreement from being reached: „[there are] quite a few operations that are very small and what they want is different to what we want' (Producer 3). Another member of the TVWR network added:

There is an argument that there are too many people involved; in the fact that because it is a group for its members every member is involved in sort of every decision. With thirty people in a room, trying to make a decision can be quite tricky sometimes. (Producer 8)

Comments such as these highlight that mutuality is important to any form of inter-organisational relationship, particularly if the parties involved have different objectives and come from diverse backgrounds (Easton, 1992). Other network researchers have supported this view by stating that a consequence of diversity is that networks tend to be larger, which can reduce the levels of actor satisfaction, consensus and intimacy (Smith & Holmes, 1997).

Too much diversity, for example, can complicate and hinder the collaboration process, and prevent agreement from being reached. Furthermore, significant variation in the goals and objectives of network members made some producers less committed to collaborative

marketing activities because they felt their needs would not be satisfied. Yet, Producer 3 felt that one of the reasons the TVWR network works so well is because „we have common goals’. In comparison, many of the smaller wine producers, who are also members of WIT, had experienced an imbalance between their perspectives and the representatives on the WIT committee. The following comment is representative of this:

As a humble member, as opposed to an office bearer or anything like that, it often feels that WIT seems to be more southern focused...all the committee members, bar the two that are on the TVWR, are from the south. So I think there is an imbalance there in perspectives. (Producer 1)

However, with specific reference to collaborative marketing, the effect of producer diversity was found to be largely positive. This supports previous research that surmised a diverse membership was one of the most significant factors contributing to heightened chances of collaboration (Palmer, 2002). However, the previous discussion does suggest that producer diversity within horizontal networks should be managed.

9.2.3 Formal governance and transparency

As highlighted in Chapter Seven, all three horizontal networks presently active within the Tasmanian wine industry were classified as formal, or semi-formal, because of their formal structure, which had clear rules and procedures regarding contribution. Unlike WineSouth, the TVWR and WIT also had a dedicated marketing committee, which comprised of wine producers with marketing expertise and experience. These committees were responsible for coordinating collaborative marketing activities and making marketing-related decisions. Despite the positive remarks regarding the role of marketing committees, many participants held divergent views regarding the extent to which formal governance rules and procedures could add value to the network’s collaborative marketing activities. Further analysis of the data showed that the distinguishing factor in this decision was the degree to which the network’s structure and or decision making procedures were transparent. When a network exhibited transparency in its governance procedures and style, wine producers found the network’s collaborative marketing

initiatives much easier to support. Producer 16, for example, who was a member of WIT, but not WineSouth stated that:

When you have got a structure that is really transparent and working, truly working for every member, then it is easy to support.

Because horizontal networks involve firms that are collaborating and competing with one another simultaneously, some degree of formality could also aid decision making, resource allocation, and activity coordination. In particular, the networks which had a formal structure that outlined clearly what members were expected to contribute and how, were associated with greater success in terms of collaborative marketing. A reason for this was because structural transparency aided the development of trust and camaraderie between all horizontal networks members. Transparency was also very important for reassuring WIT's ordinary members that their committee or board representatives were acting in the interest of the network as a whole, rather than certain individual members. When the WIT board communicated explicitly how and why decisions were made, and how the network's activities were going to benefit all members equally, confidence within the network would rise. At the time of data collection, some of WIT's members felt that there was not enough transparency in relation to how the WIT board made decisions. Additionally, the data revealed that there were some issues of credibility within the WIT network.

Another reason why adopting a formal structure was beneficial to collaborative marketing was because it saved time and energy when coordinating activities at the network level. For example, Producer 32 commented:

If it is not formal then the problem occurs that it takes so much more time. I hate informal meetings...when I chaired meetings I would tell you what was in the meeting format [and say] "we're not going to waffle on about this, if you want to make a motion, you either do it or you let it go and get on with it". (Producer 32)

Similarly, a formal governance structure with a paid executive was found to assist horizontal networks to achieve their collaborative marketing objectives faster and more effectively, as highlighted by Producer 20 in relation to the TVWR:

Now we have got someone else who can actively go out and take our group, grow our group, and do some more exciting things because we have got someone whose focus is that. (Producer 20)

Creating committees within a formal network structure was also found to directly enhance collaborative marketing, because actors with similar levels of marketing expertise and resources could come together to discuss their ideas. This was represented by Producer 7:

We [the TVWR] now have sub-committees, which is something we haven't done before. I think it will be very valuable [because] smaller sub-committees can meet together and try different ideas.

Decision making at the network level was also enhanced when a horizontal network adopted a committee-like structure. This approach also enabled committee members to share their knowledge and ideas during network meetings, and avoid situations where the network would „keep plodding along...and just talk about signs and maps all the time' (Producer 3). When network meetings followed a clear and formal agenda, members could avoid wasting time discussing purely operational issues, and focus more on the strategic decisions that would grow the network and improve the success of collaborative marketing. Formal network meetings also avoided problems associated with some members getting into „long-winded answers', which served to annoy other members of the group and increase the likelihood of conflict and opportunistic behaviour.

The data showed that formal governance mechanisms, such as those mentioned above, were particularly important for horizontal networks that involved a large number of individual wine producers (i.e. the TVWR and WIT). Further, the more structured and formal the network, the harder it was for firms to enter and exit the network without ramifications (Easton, 1992). In this study, wine producers had to meet certain conditions and requirements in order to join the TVWR and WIT. This was in contrast to WineSouth,

which although it had some evidence of a hierarchical structure, did not require members to meet certain requirements. One interesting finding that emerged from interviews with WineSouth members was that:

They [the TVWR] have got a code of conduct and they do actually police members' behaviour, whereas none of that is in WineSouth. We tried to make it that everybody had to have the yellow tick²⁷ but too many people didn't want to. (Producer 15)

In contrast, another interviewee found trying to coordinate collaborative marketing within WineSouth very difficult, because the network had no power to enforce certain behaviour and responsibility:

It is always a problem because you have got two or three people who are doing ninety-nine per cent of the work, and we need to probably revisit that...we need to rejig the structure of the organisation, spread the load a bit more, and build it in a more efficient way. (Producer 32)

The data also showed that a formal structure affected network consensus, and consequently reduced the instances of non-cooperative behaviour and confrontation. This view was shared by a number of interviewees, in particular Producer 4, who was a member of both the TVWR and WIT:

The TVWR is very well organised, very well drilled, and very well disciplined. I have been involved in other vigneron associations and you can get a lot of people pushing their own barrow and it can be fairly non productive. But to rise above the clamour of the other regions, it works very well as a team.

Overall, this study found that the effect of formal governance and network structure on collaboration could be both positive and negative. On one hand, a formal structure and clear agenda at network meetings was useful in alleviating opportunistic behaviour, and for ensuring that each member received the opportunity to express their opinion. A clear example of this was the TVWR, whose formal structure and code of conduct meant that

²⁷ A yellow tick on a green background is the Australian Tourism Accreditation Logo. Businesses displaying the logo are accredited tourism businesses, and therefore have to meet certain standards in the areas of legal compliance, business planning, human resource management, environmental management, customer service, administration and operations, risk management, and maintenance.

actions and decisions would be voted upon in an unbiased and objective manner. Without such structure and formality, some TVWR members felt that decisions would not be made as carefully or strategically, or with the interests of all members in check. On the other hand, when a network involves a larger number of individual wine producers, such as WIT, a formal and transparent structure was considered to be even more important. A rigid governance policy and structure was, however, was found to be inappropriate to small and semi-formal horizontal networks. For example, some members of WineSouth objected to being 'policed', and valued their ability to pursue marketing and wine tourism activities in their own way. What was clear was that under a volunteer system, allocating responsibility and ensuring all members met their network responsibilities could be difficult. As such, employing a paid executive officer assisted the larger horizontal networks in alleviating such pressure, and thus, they could engage in more frequent, and more successful, collaborative marketing activity. This last point was illustrated by Producer 24 who stated that the TVWR:

[Has] really become more of a business than just sort of a small group cooperative. We now have an employed staff member who does a lot of marketing for us.

In Chapter Two, a distinction was made between formal and informal networks. In particular, a formal approach to network governance, coupled with the establishment of rules, norms and sub-committees, can enhance the likelihood of collaboration occurring (Achrol, 1997; Thomson et al., 2007; Williams, 2005). This section has developed this idea further, and overall, found that formal governance procedures and a committee-like structure can all but eliminate opportunistic behaviour from horizontal networks and streamline collaborative marketing activity. Thus, these findings support previous research, which found that a formal governance style was a distinguishing characteristic of successful cooperative marketing associations in the British tourism industry (Palmer, 2002). Further, executing a collaborative marketing strategy requires strong coordination, communication, and consensus building, which at times engenders negotiation and even confrontation (Palmer 2002b). In this study, networks like the TVWR and to some extent WIT, had successfully adopted a formal structure and code of conduct in their attempt to

build a collaborative and harmonious environment. This was represented by this comment:

You know, sometimes it is a bit frustrating when you don't always get your own way, but it is a cooperative way and that is the nature of working in a cooperative business. You won't get your own way all the time. (Producer 24)

The role of open and frequent communication in relation to collaborative marketing (Palmer, 2002) will now be discussed in relation to the Tasmanian wine industry.

9.2.4 Frequent and open communication

Several criteria were identified as relevant to collaborative marketing success. One of the most common, and also possibly the most straightforward to implement, was open and frequent communication pathways between horizontal network members. One wine producer commented that at a state-wide network level people „are very approachable...[and] we work well together and we have got this really good communication flow' (Producer 20). This view was shared by interviewees who were involved in their sub-regional network also. In particular, one member of WineSouth valued their involvement in the network because it „is a good sounding board' (Producer 11). A similar view was held by members of the TVWR network:

We meet monthly, which is probably the reason that it is still going. We keep in touch with each other, and fortunately, although we are all competing, there is an exchange of ideas and a certain round of promotion of one vineyard by the other vineyard. (Producer 26)

Producer 24 agreed that the TVWR was such a cohesive group because „we have a meeting every month, and we all get on...[and] we keep in touch with each other.' Similarly, Producer 7 attributed the success of the TVWR to the following:

[They] have the ability to discuss things, and they always have since the day that I started, and to get things moving and bring them out into the open.

Sometimes there is resistance, but people welcome that as well. It is a very healthy group.

In contrast to the TVWR and WineSouth, the data showed the communication channels within WIT were not as transparent, nor was there the same opportunity for members of this network to communicate so regularly and openly. This was largely because of the geographical distance between WIT members, and the psychological divide between northern and southern Tasmanian vineyards. This theme is illustrated in the following:

I think they [WIT] need to be a bit more open, and a bit more transparent. And actually tell us what they are doing so we know, and can then make a judgment as to whether it is too our advantage or not. (Producer 1)

Other respondents highlighted the importance of frequent and open communication by way of comparison between what WIT do now, and what the industry's previous peak body, VAT, did:

One of the things that we always did under VAT was that our board meetings were open. Anybody could come along and contribute if they so desired. (Producer 24)

In terms of how networks encourage frequent and open communication between their members, the data showed that a code of conduct had some value. This formal set of rules not only stipulated how wine producers should communicate at network meetings, but it also governed how problems or complaints within the network should be raised. This was represented by a member of the TVWR, who explained:

Through our monthly meetings people have an opportunity to voice their concerns. And that is an important role about our group, that is, we hear people's points of view and take on board their ideas... not everybody is always going to see eye to eye, but hopefully the group is the place for things to be voiced. (Producer 20)

A number of other interviewees indicated that attending either their sub-regional network's meetings or state-wide field days and events was a good opportunity to communicate with other wine producers and have their opinions heard. If some wine producers chose not to attend such meetings, they were forgoing the opportunity to

influence the planning and implementation of collaborative marketing activities. This had flow-on problems for the individual wine business, in that opting out of the communication flow meant that the network's activities may clash with the marketing they pursued on their own. It also had the effect of creating a psychological divide between them and the more involved members of the network.

9.2.5 Leadership and network champions

One factor that was widely agreed upon by the wine producers interviewed was the role of a leader or group of leaders in encouraging and organising networking opportunities, and being responsible for initiating and/or coordinating collaborative marketing activity. The data showed that these „network champions’ tended to be experienced winemakers or pioneers of the Tasmanian wine industry, or young and motivated producers who were especially passionate about cool climate winemaking. In particular, the more experienced winemakers were perceived as valuable because they had established a climate of trust and camaraderie within the network, while the younger members were respected for their ability to get things done, turn plans into action, and foster creativity and innovation within horizontal networks. As one producer stated, the degree of transformational leadership within the WIT network made them feel positive in relation to collaborative marketing:

I think there are plenty of people in our industry that you can look up to and feel assured they are taking the industry in the right direction, and that gives you confidence and makes you feel that you want to be part of it (Producer 5).

The changeover in the leadership roles was particularly evident in the TVWR. This was represented by Producer 20, who said:

Some of those people that had been there for a long time are actually starting to take a bit more of a back seat now. Because they have done a lot of the hard work in establishing the group, and now they are happy to hand it [the responsibility] over...there is a clear change in the way that

we market our product now as to how we marketed it five years ago, and age does kind of influence that.

Producer 19, one of the „next generation’ wine producers also felt that leadership was key to the prosperity of collaborative marketing and horizontal networks:

I think it has been the work of a lot of our life members that just work tirelessly. I guess it is because of their social contact to the industry...and without their work the TVWR would never have happened and there is no question about that.

From a somewhat different perspective, the data revealed that networks themselves could also fulfil a leadership role and by consequence, enhance the value of collaborative marketing activity. This was the case with the state-wide network, WIT, which many viewed as the umbrella network for state-wide marketing. The following comments typify this view:

I think having an organisation like WIT to make it all happen is important, we couldn’t do it without them, there is no way in the world, we are too small [and] we don’t have the time to invest in that sort of stuff. (Producer 10)

I think it is critical that WIT take the mantle and provide that guidance and marketing knowledge... with a united body like WIT, it just gives the whole thing [collaborative marketing] drive and direction. (Producer 11)

However, many TVWR members expressed a divergent view, namely that WIT was not living up to their leadership expectations and responsibilities, and thus the TVWR was a better example of network and industry leadership.

Others referred to the actual instigation of collaborative marketing activity being dependent on individual wine producers volunteering their time in a leadership role. This theme is supported by previous research, which found that network champions were instrumental in the creation of collaborative partnerships and ventures (Hall, 2003; Palmer & Bejou, 1995). Furthermore, a „champion’ of collaboration can be the missing link between turning a general idea into one that has a specific plan and can be

implemented (Gray, 1985). In this study, a common view was that collaborative marketing „needs somebody to drive it, get the word out there, and just coordinate things’ (Producer 18). A similar statement was made by a TVWR member who wanted to implement a collaborative cellar door in their region: „the issue with that is who champions it? Someone has got to own it’ (Producer 33). Similarly, Producer 30 felt that one of the problems with collaborative marketing is that its success is reliant on there being a few producers who are prepared to contribute their personal time and resources, and who have the capacity to make things happen.

Network leadership was also found to be exhibited by some of Tasmania’s larger producers, in the sense that they could „prop up’ the smaller producers in their area with resources and drag them along on their „coat tails’. Comments that represent this theme include: „if we didn’t have him/her we would be lost in the wilderness out here. It would be totally hopeless’ (Producer 29) and:

We have always had a great relationship with [Company X] from day one. Because they have a restaurant and they are bigger and advertise a lot more. I am sure we ride that wave...they have been fantastic in the whole collective marketing thing. (Producer 15)

Similarly, Producer 30 acknowledged that the role of Tasmania’s larger wine producers in relation to collaborative marketing:

Their involvement is not just about brand building for their own exercise, but it is also about providing a mechanism for the rest of us to have a bit more of a leg up, because that actually helps their brand too...if we get a good reputation as Tasmanian wine producers, as the leading brand, they are going to cream off a bit more in sales.

The larger producers themselves also supported this view, for example, Producer 2 stated:

There is almost a requirement, as one of the larger producers in the State, that we should be making our contribution to marketing and promoting the state generically. I think it is our responsibility to do that and at the end of the day, it is still in our interests to do it.

Similarly, as a committee representative of both the TVWR and the WIT networks, Producer 20 commented:

I understand it is not just about me marketing my brand. It is about looking at the bigger picture and for the success of our industry we need these connections.

Strong feelings of leadership and goodwill within horizontal networks were most evident within networks at the sub-regional level, because this leadership was offered by the producers themselves, rather than a government agency or initiative. The effect this type of „local’ „and a bit more grassroots’ (Producer 22) leadership had on the success of collaborative marketing was typified by one of the more motivated members of the TVWR:

There is so much energy in the group...we see ourselves as a group being able to basically take on everything. If we stick together and we work well together there is no reason why we can’t do roadshows. There is no reason why we can’t take the Tamar Valley brand and take it to the world.
(Producer 19)

On the other hand, some producers chose to take a less active role in their networks, and instead they focused their energy within their business. In this way, the leadership, energy, and determination already mentioned, could give rise to conflict occurring between the motivated network actors, and those that were protective of their individual interests. Analysis of secondary revealed that in all three networks studied, the appointment of formal network leaders was carried out through a voting process. However, there were still some signs of conflict between the marketing ideas and motivations of the leaders appointed, and the more traditional and conservative members of the network. One possible solution to this imbalance within horizontal networks was for the network to appoint an external leader or network facilitator. External facilitators or leaders, through their authority and status, can play an important role in bringing interrelated firms together (Palmer & Bejou, 1995). Collaborative networks can appoint an external facilitator to convene a group of firms and their activities, or nominated a leader from within the membership base (Fyall & Garrod, 2005). There were examples of both forms of leadership within the Tasmanian wine industry.

As highlighted in section 9.2.3, members of the TVWR were supportive of a paid executive officer, who was, in a sense, an external facilitator because they were not an owner or manager of a wine business themselves. Producer 7 added that appointing an external leader into a full-time position within the TVWR was a „valuable commodity as far as I am concerned’. Ultimately, external leaders could be more objective, impartial, and rational regarding what types of collaborative marketing activities the network should undertake, and how these strategies could benefit all involved.

From section 7.3.1 in Chapter Seven, WIT is also overseen by a board of directors which comprises of an external executive officer and independent chairperson. This was considered important by many of the WIT members interviewed, largely because the state-wide network should be governed by people who have an objective view, and can manage the marketing needs of all participants. Interestingly, the state’s previous industry body, VAT, was overseen by a small committee of winemakers. As such, a number of interviewees had experienced how not using an external facilitator could result in selfish and opportunistic behaviour at the executive level.

9.2.6 Government involvement and support

Within the data there was mixed opinion regarding the role of government in supporting horizontal networks and facilitating collaborative marketing activity. Many interviewees felt that some degree of government involvement was important to maintaining collaboration within Tasmanian wine producers at a state-wide level, because some producers have their own vested interests, which, unless managed, can negatively affect the industry’s reputation and success. Moreover, the Tasmanian state government had the financial backing to provide the necessary resources to implement collaborative marketing activities. Government involvement was also found to be important in ensuring the sustainability of horizontal networks, which otherwise rely on volunteers and membership funds. The effect of government involvement on collaborative marketing is represented in the following comment:

When it [collaborative marketing] is broadly for the benefit of the industry as a whole, it is perhaps better to have either a government or an overarching organisation that can take it on without necessarily billing everybody for their participation. (Producer 30)

In contrast, Producer 33 questioned the logic of horizontal networks, such as WIT, being partly funded by the government:

With WIT they are constrained by the fact they are funded by the government. If you are going to be a truly representative body you have to be self-funded and totally independent. So until they get to this and that is sustainable, I very much question whether they are ever going to be representing me and my interests.

Following the Tasmania Unbottled events, many respondents stated that having the Tasmanian government on board provided the manpower and expertise that was required when organising larger scale marketing events in national and international markets.

Comments from Producer 6 are illustrative of this dual role:

One is that there are extra funds injected, which is what we are always keen to see...The second thing is that I think it manages the inter-winery rivalry. I remember the first collaborative journey we undertook as an industry in the early 1990s. I actually organised it and wrote the brochure. And it was very difficult because people were less trustworthy of one of the players writing the guide.

A number of other producers also indicated that government representatives had an important responsibility for managing the balance between competition and collaboration within an industry. Competition within an industry is thought to encourage innovation and growth and competitive pricing, all of which are of benefit to consumers. However, this study found that competition may restrict the number of new entrants to an industry and restrict the opportunities for collaborative marketing, research and development, and resource sharing. When commenting as to whether collaborative marketing within horizontal networks was unique to the wine industry in general; or unique to Tasmania's wine industry in particular, Producer 30 offered the following insight:

I think by anecdotal evidence we perhaps do more cooperation here in little old Tasmania than they do in other places...But whether that is

institutionalised through some government agency or whether it is happening through the work of individual producers I don't really know.

Another respondent, Producer 24, posited that the fact that the wine industry is largely unregulated by the state and federal government (and thus, not overly institutionalised) actually encouraged collaboration within horizontal networks. In other words, there was some evidence that Tasmanian wine producers have a greater incentive to collaboratively protect themselves from external competition and market forces, as there are no other bodies that will assume this role. Furthermore, because Tasmania is geographically isolated compared to Australia's main wine producing areas, the producers here tend to receive limited support from Australia's national wine marketing and representative bodies. What was clear was the division between producers who trusted the intentions of government representatives, and those that preferred to organise, and therefore control, the network without the perceived interference from the public sector.

This study found that the Tasmanian state government had a fairly active role in initiating and supporting collaborative activity between wine producers. This was most visible in terms of the financial and resource support they provide to the industry's peak network, WIT. However, this study also found that when government representatives become involved in network decision making, individual producers can become sceptical of the true purpose of the network, and the value that it provides. This divergence in respondent opinion was evident upon inspecting the levels of commitment and trust within a partly government-supported and funded network, such as WIT, versus a more independent body such as the TVWR. This possibly relates to the opinion that governments are, by their bureaucratic nature, controlling public entities.

9.2.7 Producer contribution and commitment

The data also showed that the degree to which Tasmanian wine producers shared the responsibility of organising collaborative marketing activities, and how committed they were to the network, were important. Having both formal procedures and social norms in

place was found to encourage all network members to contribute equally, and therefore enhance the collaboration process. Shared contribution was also important because it enabled the network to dedicate financial and human resources to the implementation of collaborative marketing activities. Producer 30, for example, felt that collaborative marketing worked best when there was a balance of producers contributing financial resources, and those that were involved with the organising committee:

I think there is this whole question of cooperative marketing and what are the models that might work. Something like the Bream Creek Show²⁸ is an example of cooperative marketing that does work, because all the people that come contribute through some fees or perhaps participation in the organising committee. They then get some benefit through the fact that we get some promotion and some sales. I suppose the same applies to a Tasmania Unbottled situation, but then the issue is we don't all benefit equally, even if we contribute equally.

However, other interviewees indicated that for collaborative marketing to be successful over the long-term, network members must be committed to the network's overall objectives, and not simply participate in one or two collaborative activities.

In other words, network commitment was defined by Tasmanian wine producers not just in financial terms. In this study, wine producers were considered to be more committed if they were involved in network committees or assumed responsibility for coordinating certain activities. The degree of commitment was also found to be influenced by the size of their business, their resources, and what goals the wine business had. In general, Tasmania's next generation winemakers exhibited higher levels of commitment because they were keener to raise awareness of Tasmanian wine and see their businesses grow. In contrast, many of the more lifestyle-oriented wine producers appeared to assume less active roles within their horizontal networks, and were more concerned with the cost of participating in collaborative marketing activity. Thus, their commitment to collaborative marketing and networks at a state-wide level in particular, was fairly low.

²⁸ The Bream Creek Show is a small country agricultural show, held at the Bream Creek showgrounds in Southern Tasmania. Local wine and food producers in the area attend the show to promote and sell their products to the general public, via a shared stall arrangement.

The degree to which a wine producer was committed to their network and collaborative marketing was also evident in the language they used. During interviews, the language and tone used by the respondent implied certain things about their level of commitment to collaborative marketing, and their centrality in horizontal networks. Wine producers who were labelled as committed network members because they contributed time, effort and money to collaborative marketing also appeared more likely to use the words „we’, ‘us’ and „our’ when referring to their network and the network’s activities. Others, such as Producer 29, who was generally considered a lifestyle-oriented vigneron, and not an active player within the industry, used words such as „they’ ‘it’ and „their’. Interestingly when speaking about the TVWR, Producer 29 went from stating „they promote each other’ to ‘we promote each other’. There was also some evidence that Tasmanian wine producers located in the Tamar Valley, were more committed to their sub-regional network given the way in which they referred to this in comparison to WIT. This theme is consistent with the difference in the roles of WIT versus the sub-regional networks, and the nature of interaction within the WIT network compared with the previous state-wide body, VAT, which was considered to be more „hands on’. Non-personal pronouns could also indicate that wine producers view horizontal networks as a form of organisation, as opposed to a form of mutual relationship. As such, this may affect the degree to which they value collaborative marketing.

Given that most collaborative marketing activities are organised by volunteer wine producers, a common feeling within the data was that all network members should make an effort to be involved, so the workload is shared. This finding is consistent with previous research by Wang (2008), who found that for collaborative destination marketing projects to be successful, all the parties should demonstrate a high level of involvement in, and commitment to, the project. In this study, comments such as that of Producer 5 support this: „if you are happy to put something in, other people are happy to do that as well’. Similarly, Producer 7 stated:

Without everybody giving that much it wouldn’t work. It is the cooperation and participation that makes it. For example I help to organise the annual awards dinner every year [and] everybody has little jobs.

Producer 26, a member of the TVWR network, also acknowledged the value of appointing a paid executive officer to do some of the „jobs’ other members could not afford to do. Others also acknowledged how simply the number of people contributing made a difference to the success of collaboration. Having more wine producers in a network was seen to equate to more resources, which is important for providing the financial backing and expertise necessary for many collaborative marketing activities. Yet for the smaller, less prominent sub-regional networks, getting enough people to help out was sometimes a problem. This finding relates to the notion of critical mass, as highlighted in the section above. Some producers agreed that achieving shared input and commitment without critical mass was a problem with the smaller, less structured networks:

There has always been just one person who has done the work...and he/she just made WineSouth solely the collective tasting events and that became the focus and the membership fees crashed down to just fifty dollars a year, which is nothing. That is why people are now just volunteering. (Producer 15)

In contrast, Producer 3 explained:

I think the TVWR seems to work quite well because there are enough people putting in a lot of effort that it doesn’t make people feel like they are doing it all themselves.

Producer 7 also stated:

I think the other regions don’t have that level of commitment from people, and there are a lot of wineries here. So we have a larger number of people involved in it as well.

This latter quote suggests that producer commitment and contribution may diminish as a network increases in size. Evidence of each wine producer’s contribution and commitment also extended to helping other members of the network by way of giving advice, staffing their stall at wine events, or even visiting the vineyard to inspect their vines. This was somewhat surprising to many of the newer wine producers interviewed, one of whom expressed the following in relation to the TVWR:

That is what amazed me about the wine route people. They are so receptive to helping you out and giving you hints...because it is the Tamar Valley and we have got to survive. (Producer 23)

Despite the number of positive comments surrounding the importance of shared contribution and commitment, there was some degree of frustration regarding the number of wine producers who were not involved in horizontal networks. As illustrated by Producer 20, for example, this group of non-network producers 'are still seeing some of the benefit without paying membership fees'. In other words, they were thought to be freeloading off the contribution and commitment demonstrated by others. Previous research has acknowledged the negative impact of freeloaders on the process of collaborative marketing (Palmer, 2002; Wang, 2008). The following quotes illustrate the frustration this problem caused in context of the Tasmanian wine industry:

I am one that hates freeloaders and I come down quite hard on people that I think should be contributing more to the industry. (Producer 32)

I find it difficult when people come into a cooperative venture and say "oh I am not getting enough out of this". You know, to get something out you have got to put something in. (Producer 14)

Although the presence of freeloaders was considered unfair by a number of respondents, many recognised it was out of their control and simply a result of the voluntary membership structure of all three horizontal networks. Furthermore, interviews with two of these non-network producers revealed that these producers may have been members of the industry association in the past, or their priorities were in other markets where the collaborative marketing activities pursued at the state-wide level had little effect. In addition to there being issues with freeloaders at the industry level, there was some evidence of wine producers freeloading off the harder working producers within their network. For example, a member of the TVWR indicated:

I get the view sometimes that there are people on board who we are carrying because they are not prepared to take any executive position within the wine route and do the work. (Producer 24)

For Producer 24, it was a case of „doing your time’. Although they didn’t necessarily hold an executive role now, they had in the past, and therefore felt strongly that this sharing of responsibility was important for collaboration within a group of otherwise competing firms.

Another recurring theme was the frustration certain respondents had towards members who were not held accountable for their actions. This had implications for collaborative marketing activity by way of how such activity was organised, who organised it, and who took responsibility for problems or complaints if and when they occurred. Lack of commitment in this form may have derived from the idea that the benefits of contributing to the network generally, or participating in collaborative marketing activity, were not always clear, nor immediate. As Producer 17 described it „it is a chicken and egg type of thing. You have got to support them [WIT] before they can do stuff for you’. Despite other producers sharing this view, it should be noted that many of the state’s smallest producers had been members of WIT in the past, but had chosen to cease their involvement because the financial commitment or contribution they were required to make, outweighed any of the benefits they received. A clear reason for this disparity was related to producer size, however, as one of Tasmania’s smallest and most isolated wine producers, Producer 30, remarked:

I suppose the issue is that we don’t all benefit equally even if we all contribute equally... I don’t think there is a straightforward solution to that...[but] to be taken seriously in our industry I think you have to participate.

Other small wine producers, such as Producer 33, had at times considered getting out of their sub-regional network, but as they explained:

[Then] they probably wouldn’t recommend me because I think that if you pull out and you don’t pay your fees and you don’t contribute, then they probably won’t respect that.

Overall, the data presented here demonstrate varying levels of commitment towards certain networks within the industry, and the industry as a whole. A number of

respondents located in and around the Tamar Valley spoke of greater loyalty and commitment towards the TVWR compared with the industry's peak body, WIT, which is centralised in the south. As an extreme example, Producer 19 stated:

I would be so devastated if the TVWR broke up but I couldn't give a stuff [sic] if WIT broke up...there is just no loyalty towards it at all.

One of the main reasons for this lack of loyalty to WIT derived from the lack of visible or mutual benefits producers received in response to their relatively high membership fees.

As Producer 24 explained:

I sometimes think about getting out of WIT because I can't see too much visible stuff happening there. But I think it is important for the technical connections.

This was in contrast to their comments regarding their sub-regional network:

I think what has diminished the importance of WIT has been the success of the TVWR. So the TVWR is the principal networking body that we belong to and the other ones are ancillary for a whole host of reasons.

The empirical literature acknowledges the importance of shared commitment to the success of inter-firm networks (Palmer, 2002), and its correlation with other social elements of network relationships such as trust and mutual benefit. This study found that wine producer commitment was evident through a producer's willingness to assist other members of their network, take on formal responsibility within the network, and/or participate in network decision making. However, for a network to maintain the commitment of their members over the long-term there must be clear benefit for all the firms involved:

There has to be a team effort and there has to be a benefit for everyone.
[But] that benefit gets eroded if someone doesn't carry their weight.
(Producer 33)

In some cases, network benefits were perceived as unevenly distributed, because certain members contributed more time, resources and effort to organising collaborative marketing activities, and were therefore considered more worthy of receiving benefit.

From this angle, many respondents felt that collaborative marketing activities should be executed so that the benefits could be shared equitably among all the producers who took part and contributed to the activity, and those that were „freeloading ’ were deprived. Thus, a factor which is closely related to the role of shared contribution and commitment is mutual benefit.

In the case of the Tasmanian wine industry, most of the producers interviewed had positive experiences regarding the mutual benefits they shared within their horizontal networks. Those that were more negative, or sceptical of the benefits they could receive, explicitly stated that they were considering ceasing their membership in the near future. The following quote by Producer 24 illustrates the implications for a network which is perceived to lack mutual benefit:

I think WIT is jealous of the relationship that exists between members of the TVWR and the solidarity that exists there. It is almost like we are a union and they are the employers. But in part it is their own fault...you need to have some visible benefits for the people to be part of that organisation.

Other respondents agreed that there was a little mutual benefit associated with the state-wide horizontal network and their collaborative marketing activity. For example, Producer 30 argued that:

I really can't identify anything tangible that has come out of that...in fact the tangible impact I have found to be a bit disappointing. But I don't have any smart solution to that and I am not even sure if one exists.

Mutual benefit was not only considered a vital outcome of network collaboration and activity, but also a motivating force for some members. In response to the question of what makes a good relationship, Producer 19 stated:

If there is a mutually-beneficial part to that relationship then that is great...We won't enter into any relationship without thinking about how it directly impacts what we do. I am not a charity.

Producer 6 responded in a similar way:

We will continue to do that as long as we get some benefit. As the group forms, they can all benefit in some way from being there as a group.

From a somewhat different perspective, some wine producers were concerned with the benefit of collaborative marketing for Tasmania, rather than just their individual businesses. For example, Producer 11 stated they would stay a member of WIT „not just for ourselves, but for the group and for Tasmania’. Producer 8 also recognised the need to downplay one’s own self-interests for the benefit of the group:

I think at the end of the day, most of these sorts of industry groups...everyone does it for their own benefit. So they put aside some of their problems or grievances to be part of the group so that they benefit out of it... the better the wine route the better everyone does out of it.

Ensuring that network benefits were equally distributed was also important for avoiding rivalry and jealousy from overshadowing the benefits of collaborative marketing. Producer 30, however, who was reasonably open to collaborating with larger wine producers in their network, felt that reaching a point of mutual benefit was difficult due to the inherent nature of inter-competitor relationships:

If you could somehow get across that sense of competition between two parties, then you might actually have some benefit for both. But the problem then of course is that the tangible benefits might be far more for me, than for them, at least in their eyes anyway.

This comment confirms the findings of previous research which suggests that the success rate of collaborative arrangements is increased when one firm offers something that another firm lacks, and therefore a reciprocal arrangement is created (Buttery & Buttery, 1994). As is described above, in some instances, mutual benefit was forgone because the smaller firms had less to offer, and therefore the state’s larger wine businesses did not perceive the network arrangement to be reciprocal. In such instances, leadership may override these feelings of uncertainty.

9.2.8 Trust and respect

In the context of the Tasmanian wine industry, inter-producer trust and respect were considered central to building a network environment conducive to collaboration rather than competition. Analysis of the interview data revealed strong evidence that horizontal networks had contributed to the formation of trusting relationships between Tasmanian wine producers, and this certainly affected their desire to engage in certain collaborative marketing activities, namely word of mouth referrals and collaborative tasting events.

This common view was highlighted by Producer 20:

If people...don't like what you are doing or can't trust what you say, then it makes it very difficult to make a personal recommendation, because you are going to be a little more wary.

Data such as this support network theory, in that trust is held to be an antecedent of horizontal networks because these arrangements involve non-economic exchange between firms that are competing and cooperating simultaneously (Bengtsson et al., 2003; Laine, 2002). In this study, trust was operationalised as a wine producer's belief that other producers will forgo their own selfish interests, and avoid exploiting one another's vulnerabilities (Arino et al., 2001; Morrow et al., 2004). Because horizontal networks require firms to volunteer their time and energy, share their resources, and coordinate their activities, the success of collaborative marketing is influenced by how well wine producers can trust others to fulfil their obligations, and act in a way that benefits the whole network or whole industry. Without this, Tasmanian wine producers were likely to question the actions and promises of others, and a degree of suspicion or rivalry was likely to arise. Thus, the absence of trust was seen as a barrier to collaborative marketing activity.

Despite the obvious association between trust and collaboration, this study found that the level of trust within horizontal networks varied considerably. Such a variation was largely influenced by the characteristics of the network, and the individual producers who were involved. A clear theme was that there were higher levels of trust within Tasmania's sub-regional network, and between producers located in close geographical proximity.

Subsequent analysis of the data revealed that this is probably because these producers interact more regularly, and on a social basis. For example, one wine producer indicated that the producers in their area „have always done the right thing by us...so I trust them’ (Producer 29). Conversely, many interviewees noted that they did not necessarily trust producers outside of their sub-regional network. In particular, there was evidence of distrust between TVWR and WineSouth members, and between some of the industry’s more active wine producers and those that were seen to be „freeloading’. With regard to the former, a number of WineSouth members felt that the TVWR were being selfish and pursuing their regional interests above and beyond Tasmania as a whole. Similarly, a number of TVWR members were unsure if they could trust the WIT board of directors. Furthermore, although most of Tasmania’s smaller wine producers were considered trustworthy they were not necessarily respected by the state’s larger and more-established players. This distinction between trust and respect was noted by many of the interviewees, in particular, Producer 32:

I think there are fairly good levels of mutual respect in the industry, certainly amongst the top dozen or fifteen players. I think there is a fairly high degree of trust. Probably more trust than respect sometimes.

In addition, because of personality clashes or divergent interests, some Tasmanian wine producers did not necessarily like or trust one another, but they still remained amicable and respectful in their dealings. This ability to compromise and make allowances for others in the network was particularly strong within the TVWR. In which one member felt that the degree of respect and goodwill were probably the only things that enabled this network to stay together through times that threatened to „tear the whole thing to pieces’ (Producer 33). This supports the idea that trust is the cornerstone of inter-organisational relationships because it determines the stability and continuity of network linkages (Buttery & Buttery, 1994). Other authors have also proposed that networks containing strong social bonds, such as the TVWR, are more likely to withstand conflict and disruptive forces (Easton, 1992). This theme was highlighted by another member of the TVWR:

If you can't trust someone to do what they say they are going to do or you can't trust the information they are giving you, or if they don't have integrity, then it makes it very difficult for the wheel to go around. If you break those bonds then it is very difficult [to work together]...maybe that is something that is pretty unique to our group. (Producer 20)

Other interviewees acknowledged the role of trust and mutual goodwill at a state-wide level. Producer 15, for example, said:

I think on the whole there are definitely trust and mutual goodwill and enthusiasm and passion about the wine. And we are all keen to make the whole industry succeed.

This view was also shared by Producers 5 and 16, who trusted the industry leaders and larger wine producers to take the 'industry in the right direction' (Producer 5) and 'do the job for us' (Producer 16). This idea of being able to trust network leaders was particularly important for the smaller wine producers. Because they tended to lack the confidence and resources to implement collaborative marketing activities on their own, they benefited from strong leadership.

In general, most wine producers could trust others within their network to forgo their self interests and behave in a way that benefited the industry mutually. However, subsequent analysis of the data did reveal the presence of trust was not as widespread when wine producers were asked to share information that other parties could use to exploit their vulnerabilities. As one member of the TVWR noted:

Sometimes you have got to be selective with the information that you share ...because there is a chance that somebody else will take that idea...while we work together and we are honest and we all have integrity, there are going to be times that for the benefit of your business, you may not expose or share your marketing ideas. (Producer 20)

At a more dyadic level, there were a small number of cases where higher levels of trust were evident, and the producers engaged in unrestricted information sharing. A defining characteristic of these relationships was that the producers were good friends. Other researchers have found that in order for firms to trust each other, they had to like each

other first (Felzensztein & Gimmon, 2009; Thorelli, 1986). In this study, social gatherings within horizontal networks were viewed as a valuable opportunity for producers to get to know each other personally, and build strong, trustworthy relationships through regular and informal interaction. Such gatherings also provided new industry entrants with the opportunity to ascertain credibility and demonstrate that people „shouldn't be afraid of sending people to us' (Producer 20). Furthermore, social bonds and respect were found to „temper' the actions of some individuals and encourage them to be „ethical about what you are trying to do' (Producer 18). Friendships between neighbouring wine producers were also found to be associated with higher levels of trust. Indeed, in some cases, neighbouring wine producers were found to be selling each other's wines, introducing one another to their distributors and customers, and sharing equipment and confidential information like sales data and spreadsheets. For this type of joint marketing to occur, producers had to trust each other fully.

Another way that trust has been established within horizontal networks was through the introduction of a code of conduct, together with transparent governance procedures and strong behavioural norms. Evidence of the positive influence of strong behavioural norms on trust was evident in the TVWR:

You have got to follow the plot consistently. You can't just branch off on your own and do something left field at the expense of your fellows... That is not on. I think generally most of our people comply with that. (Producer 24)

A code of conduct was also found to contribute to the establishment of strong standards, thus, „people know that they have to put something pretty good on the table to just keep up with others' (Producer 6). Overall, the data showed that the majority of Tasmanian wine producers could trust others to maintain this degree of standard. There was, however, some variance in their ability to trust each other with certain types of information and activity.

9.2.9 Social interaction and support

Related to the notion of trust, another key finding to emerge from the interview data was the number of close friendships that had developed between Tasmanian wine producers, and how important these were to maintaining an environment conducive to collaborative marketing. Any time when Tasmanian wine producers gathered together in the one location – whether it was for benchmarking, events, or field days – was a significant opportunity for wine producers to extend their professional relationships into personal friendships. Such opportunities for social interaction were found to have a profound effect on the development of trust, respect and reciprocity. Many other interviewees implied that because of the strong social connections within the industry, Tasmanian wine producers did not really consider each other to be their main source of competition. Instead, competition was more intense with respect to other regions within Australia and other countries within the world, most notably New Zealand.

The notion of „mateship’ was supported by the comments from Producer 13, who replied to a question of whether other Tasmanian wine producers were his/her competitors with: „no not at all. I see them as collaborators and exploring the market together’. Similarly, a previous study of collaborative marketing in the hotel industry found that the social ties between hoteliers were a strong driving force for networking (von Friedrichs Grangsjo & Gummesson, 2006). As was found here, many members of the local hotelier network had become friends, and it was not uncommon for these individuals to socialise with one another in their spare time (von Friedrichs Grangsjo & Gummesson, 2006). In this study, a number of interviewees emphasised the importance of having fun together and getting to know their industry colleagues on a personal level. In this way a relaxed network atmosphere was created, and ideas and suggestions could flow freely (von Friedrichs Grangsjo & Gummesson, 2006).

Furthermore, as the wine producers became familiar with one another and established friendships, horizontal network gatherings became as much about the opportunity to

socialise as they were about commercial gain. This was illustrated by Producer 31, who stated:

I go to the networking things more from a social point of view. To stay in touch with people, see what is happening...Because you quite often end up talking about other producers in the cellar door, it is nice to know the actual people that you are talking about.

Others agreed that the opportunity to socialise with other wine producers in their sub-regional network was particularly important:

In terms of coming together with your mates in the industry and getting a bit of excitement going, the TVWR is really important to me. (Producer 22)

The suggestion that social interaction is key motivation for wine producers participating in horizontal networks and collaborative marketing activity was highlighted in Chapter Seven. Prior to this, the important role of social capital was illustrated in the context of the move away from transactional marketing and economic markets. In many ways, the sum of social capital within a network or community determines the quality and quantity of interaction. In this study, the data revealed a strong association between the horizontal networks that had social capital, such as the TVWR, and the success of their collaborative marketing activity. More broadly, a number of interviewees felt that when wine producers got along personally, a collaborative venture was worthwhile because those involved were motivated by mutuality and enjoying themselves. Comments from Producer 32 are reflective of this:

I think the strongest element in all of that is getting on well with that person. In other words it is a friendship thing... sometimes you can step on people's toes by over promoting your own particular breed [sic] of wine...[but] if you get on well at a personal level with somebody...you can ride over those wrinkles.

In addition to enhancing the outcomes of collaborative marketing activity, social interaction also played a key role in uniting the industry and making new, or geographically isolated, wine producers feel welcome. One wine producer described this in the following way:

When we first got here we found it very hard to make friends. [But] once I started meeting people in the industry you realise that it is a very tight knit industry. Everyone gets on with everyone...and that was one thing that attracted me about it. (Producer 33)

This theme of strong industry camaraderie was supported by almost all of the wine producers interviewed. Indeed, many perceived this to be the most significant factor contributing to the success of Tasmania's collaborative marketing and the longevity of certain horizontal networks (i.e. the TVWR), a view which was typified by this comment:

We get to know each other's wines really well and that is the fun part of it... without that solidarity, the camaraderie, the friendships, the celebration of what we do as a group, it wouldn't be worth doing. (Producer 33)

Comments from Producer 19 also alluded to this theme:

I think it is lovely that we can meet as a group, and it is great that we can spend quality time together...It is a huge sacrifice for all of us to live and work in a region like this...To me those personal relationships are far more important to me than any business opportunity of the TVWR.

In terms of the antecedents to close social relationships, further analysis of relevant data revealed that a producer's age or experience was not necessarily a precursor to friendships developing, as there were almost as many examples of social relationships between young and old producers, as there were between young producers, and the more-established industry pioneers. Some wine producers did, however, indicate that having a mutual winemaking philosophy or similar interests was important, as this provided a solid basis to social interaction and conversation. Furthermore, geographical proximity often led to strong social relationships, because it was perceived as normal behaviour to socialise and interact with neighbouring vineyards. In view of this, Producer 29, a member of the TVWR, referred to other producers in their geographical area as „really good friends [and] not just business friendships, they are lovely people'. Another member of the network held the same view:

Well we have a lot to do with [company name], because we are great friends and because we all live in this area. And we are friends with

people who aren't part of the network... [But] that is more because we all love wine and we like to drink it together. (Producer 22)

There were some southern wine producers who were not members of their sub-regional network, WineSouth, yet they still interacted with other producers in their area on a social basis:

Only on a social basis...we are good friends with some people along here that some people would think are our competitors or rivals. (Producer 9)

Within both sub-regional networks, there was also evidence that social interaction had a positive influence on network identity and commitment. This was represented by the following comments in relation to the TVWR:

I will always be part of the TVWR because I believe that without promoting the TVWR, we [our sub-region] won't be who we are. (Producer 7)

Before you actually go in there and sell you get that great feeling of looking around and thinking "oh golly look who we are". (Producer 22)

In a similar manner, Producer 15 had this to say about their sub-regional network, WineSouth:

Well the White Wine Weekend has been going for three years now and sales from that have been growing also... We have just noticed that now everybody arrives in their car with the logo on it, and their caps with the logo on it, and there was nothing like that before.

Stemming from these feelings of pride and identity was a tendency for some producers to improve their own offerings and tailor their activities to suit the networks' objectives, rather than their own (as highlighted by Producer 15 above). This increase in activity coordination was also experienced by Producer 22, who stated:

The energy of the people improves what everyone else is offering because they start offering themselves as part of something. Rather than doing something off one side, they start doing it together.

Strong social connections, friendships, and mutual interests were also important for overcoming feelings of competition within horizontal networks, and for encouraging network satisfaction. There were even some Tasmanian wine producers who likened their sub-regional network to that of a family, and others, such as Producer 20, who described the TVWR as „like a community’ and Producer 26 who said „we are all competing for the same customer dollar, but there is a togetherness [sic] which is unusual’. Overall, Tasmanian wine producers felt it was their responsibility to take care of each other because the industry was so small, and relatively immature. In support of the social network literature, one interviewee said:

You have to have the capacity to forgive and the capacity to communicate. It is like a marriage...If you treat all your relationships with the same respect that you treat your marriage, of course you will have a good outcome. (Producer 16)

Upon reflection, a number of wine producers indicated that they would like to see both their sub-regional network and WIT host more social gatherings. Many agreed that although formal meetings were a source of valuable information and advice, there is little opportunity for social interaction before or after these events because the producers are all so pressed for time. The need for more socialising between all Tasmanian wine producers was made clear by Producer 33, who reflected on the way things used to be done in the VAT:

When we had the VAT...we had great big dinners, where everyone came, and you got trashed every night with everyone...that was what you looked forward... But I haven’t seen that sort of thing happen for years...since WIT has taken over.

Further into their interview, Producer 33 also indicated what had happened since there was less social interaction taking place at a state-wide level:

Generally, as a rule, everyone is friendly at the WIT field days, but there is just not the same sense of connection there at all. I actually see them [the Southern wine producers] as competition more so than I do the other producers here, which is funny. And the East Coast [producers] is a little bit the same way.

9.3 Factors that inhibit collaborative marketing in horizontal networks

Despite the generally positive feelings surrounding horizontal networks and collaborative marketing among the Tasmanian wine producers interviewed, there were some factors that inhibited the implementation of collaborative marketing activity at both a sub-regional and state-wide level.

9.3.1 Financial cost

In a region with around one hundred and sixty wine producers, there were inevitably some wine producers who chose to avoid collaborative marketing activity. One of the main factors driving their decision is the financial costs of horizontal network membership, and at times, the additional costs of participating in collaborative marketing activity. This finding is supported by interviews with both network and non-network producers, one of which stated:

VAT was more informal but then they got all carried away and became this WIT...I can see the benefits [and] I am not being critical about that... [But] I can't afford all these things and I thought well what does it do? (Producer 21)

This view was fairly common within the data, particularly in relation to the small wine producers interviewed. Although many of interviewees in this sector were still members of WIT, the rising expense of participating in this network's collaborative marketing activities was a concern. For example:

I think being part of the TVWR has been far more important to us than WIT. WIT is pricing itself out of our budget really. Their fees are going up and up all the time and I really don't feel that we are getting a lot back for it. They were very clever with the way that their fees are due, in that you couldn't actually take part in Tasmania Unbottled unless you are financial [sic] for the next year. (Producer 1)

Although the interview data clearly showed that cost was a significant factor; a reliable, and sufficient, source of finance is critical to the success of collaborative marketing

activities and promotional campaigns. Prior research demonstrates that probably the best arrangement is when private firms undertake collaborative agreements that are, in part, publicly-funded (Albisu, Spawton & Moulton, 2005). In Tasmania's case, funds provided by the state government were critical in the implementation of collaborative marketing at a state-wide level, and for ensuring that the cost of such activities was not 'prohibitive to the majority of smaller producers taking part' (Producer 1).

Specifying what the anticipated costs and benefits are at the start of the collaborative venture has also been found to be important (Albisu et al., 2005). This may involve, for example, specifying whether parties are expected to pay a lump-sum investment, or if they are expected to make individual contributions for each activity (Albisu et al., 2005). In this study, rather than it being a straight issue of cost, many Tasmanian wine producers (particularly those who were also members of the TVWR) were more concerned with the notion of value for money, a view which is typified in the following comment:

I think WIT is a bit expensive... We have been members up until this year. But we pulled out because I just felt we weren't getting enough out of it.
(Producer 29)

Others, like Producer 8, added that:

I think one thing they are not doing enough of is giving anyone benefit for the amount of subs people pay for the state-wide sort of level. Except for printing the wine route brochure, in a marketing sense they are not doing anything else for anyone down here.

Other wine producers were concerned with how much Tasmania's smaller wine producers should have to pay to be members of their peak body, WIT. Thus, rather than being an issue of cost *per se*, how these costs were distributed within the network had created some conflict within the group, and was therefore creating a barrier to state-wide collaboration. This view was expressed in the following way:

Big wineries crush more fruit than little wineries...they get more visitors, they get more journalists, they get more benefit from their peak body. Why don't they pay more than the small players? This is the only wine industry body in the country that I know of that is on dollar for dollar value...for me,

the peak body have got a lot to answer for in the way that they structure themselves and pretend to offer things but really don't. (Producer 19)

The issue of cost was not as relevant to the TVWR and WineSouth networks because to be a member of the former you paid an all inclusive fee, while the membership fee of WineSouth was so minimal that it would be unrealistic for producers to consider this to be the only financial investment. Further, there were some wine producers, who through their commitment to promoting the generic Tasmanian wine brand, were happy to invest in horizontal networks and collaborative marketing even if the returns were minimal.

Comments from the following interviewees illustrate this:

I can't imagine not being involved in these things, but some people choose to be completely uninvolved. They think that the two hundred dollar joining fee is too much. (Producer 15)

You know it is going to cost you a lot of money...but basically it is about having a united front and...to be part of the industry [you need] to pull your weight in these sorts of things...it all adds up to getting Tassie's name out there. (Producer 5)

What most Tasmanian wine producers did agree on was that before any generic collaborative marketing activities could be implemented, adequate finances to support the arrangement must be in place. If some Tamar Valley wine producers opposed joining WIT until they receive more value for money, they may be waiting a long time because, as highlighted earlier, the tangible outcomes of collaborative marketing are often only acquired over the long-term. In response to this issue, some wine producers felt that making membership of the peak body compulsory, rather than voluntary, may help. Interestingly, this was a view shared by both large and small producers. As an example of the latter, Producer 18 said:

I belong to WIT because I firmly believe that we all should be part of our own peak body. And it really pisses me off that there is [sic] actually only seventy-five wineries in Tasmania that do. Things that they do benefit the whole industry, so at the very least everybody should belong to it.

However, further analysis of the data revealed that compulsory membership of the WIT network in fact provide Tasmanian wine producers with a disincentive to collaborate.

Previous research has supported this, by indicating that compulsory membership or mandatory taxing provides no assurance that generic promotion will provide sufficient revenue for all of the industry members involved (Albisu et al., 2005). In fact, in Tasmania's case, many wine producers indicated that compulsory membership of the peak body would just lead to more dyadic and location-specific forms of collaborative marketing. At the very least, compulsory membership of WIT would push the Tamar Valley wine producers even closer to forming their own peak body and having the appellation system changed. Already, secondary data indicates that the TVWR network is increasing their focus on developing a sub-regional brand that is separate from Tasmania's generic wine brand. This, together with the growth of Tasmania's wine industry, suggests that in the future the industry will be represented by more sub-regional networks rather than a peak body. For now, what is clear is the underlying conflict between the roles and objectives of WIT and the TVWR. In addition, the ongoing rivalry between wine producers located in the north versus the south of the state, suggests that there will always be some barriers to state-wide collaboration.

9.3.2 Inter-network conflict

In Australia's wine industry it is not uncommon for each wine producing state or region to be represented by a peak body. These networks fulfil the role of government liaison, lobbyists, and facilitator of generic promotion and research and development, at a state level. Often, and as is the case with the Tasmanian wine industry, sub-regional networks also emerge between producers located within a particular geographic area. Unlike peak bodies, the role of sub-regional networks is normally to maintain and promote a wine route. Accordingly, sub-regional networks tend to be informal and less-structured than peak body networks. However, in Tasmania's case, the TVWR was found to be formal and structured (refer section 9.2.3 and 7.3.2). Further, secondary and interview data suggested that this network was in fact moving away from its traditional wine route role towards a strategic focus on collaborative marketing and branding. Consequently, many of the southern-based research participants expressed concerns that the growth of the

TVWR could come at the expense of collaborative marketing at a state-wide level. One of these participants had this to say:

I am a bit concerned that they [the TVWR] seem to be starting to become a governance [sic] in their own right...while they may see that as meeting their own needs really well, we have got to remember that we are all Tasmanians and we have all got to pull together. (Producer 32)

Another medium-sized wine producer located in the southern sub-region added:

We think that one industry body in Tasmania is plenty...We have got to get past this south/north rubbish that goes on in our industry. We are too small to have all that sort of nonsense going on. (Producer 16)

This last comment also demonstrates the negative effect inter-network conflict can have on the degree of collaboration present within an industry. However, this view was not shared by all the interviewees. One TVWR member, for example, shared their view:

The TVWR is the oldest wine route in the state and it is the most structured. The south is very higgledy-piggledy and disconnected. But because they are from Hobart they think they know it all and they don't listen...I think the southern vineyards should have a good hard look at what we do in the north and they could actually learn something. (Producer 1)

Others were less critical, but their comments still support some competition between northern and southern wineries, or members of the TVWR and other networks:

I shouldn't really say this but I think we are probably a bit better organised than the southern wineries. They don't quite have the tradition of meeting every month and getting on with the job. We have also moved into other areas, like the Taste of the Tamar and so forth. (Producer 26)

Further discussion revealed that there are a number of factors that have contributed to this inter-network conflict. The first is the fairly common perception that the TVWR and WIT have conflicting agendas and objectives:

There is often quite a bit of conflict between what WIT do and what the TVWR do...we are quite divided and I know some of the southern vineyards view the TWVR as a bit of an apparition [sic], because they see

it as conflicting with what WIT does and draining resources from WIT.
(Producer 17)

Both networks, for example, produce an annual wine route brochure (refer to Appendix G), organise large-scale public tasting events, have a code of conduct, and maintain a comprehensive information based and wine tourism website. Within the data there were mixed opinions about the need for the TVWR to produce a wine route brochure, when WIT was meant to take over the promotion of wine routes at a state-level. A large part of this divergence in opinion was caused by the fact that having two brochures caused confusion among wine tourists and cellar door visitors, and because WineSouth did not produce a brochure of their own. One TVWR representative described the upshot of this conflict in the following way:

We shouldn't have to publish the TVWR wine route brochure...it is a significant part of our overall membership costs. For the members of the wine route we are paying double because the WIT brochure doesn't have everybody in it...If we didn't have to publish that, then we could put those funds into doing some other form of overt marketing. (Producer 18)

Others added:

There are two brochures, which to me is just hopeless. You need one or the other. (Producer 29)

Similar feelings were expressed in relation to both networks maintaining their own websites. Comments such as „although WIT has a website, the TVWR also has a website, which in some ways is a bit of duplication’ (Producer 3) illustrates this. It should be noted that such duplication in activities is not helped by the fact that WIT has a voluntary membership system and high-cost structure, which at the time of data collection had led many TVWR members to leave the peak body. Consequently, some northern wine producers were not able to take part in WIT’s collaborative marketing activities such as Tasmania Unbottled and the state-wide touring route brochure. Thus, the TVWR had begun implementing similar activities at a sub-regional level. The rationale behind this move was explained by Producer 4:

Not everyone in our region is a member of WIT. So...[either] we work together with them because they have a little bit more pull than a winery in isolation, or we encourage our wine group, the TVWR, to do something similar.

Despite the fact that the TVWR and WIT have some cross-over in their collaborative marketing activities, a more visible grounds for the inter-network conflict appears to be the underlying north/south rivalry, which is evident in the comments presented thus far, and below:

I don't think the southern vineyards have quite the same strength in their organisation than us in the Tamar Valley. (Producer 17)

This rivalry is not specific to the wine industry. In fact, the north/south, or Hobart/Launceston, rivalry is a very old, and significant, part of Tasmania's culture (Flanagan, 2011). In the context of Tasmania's wine industry, the implications of such rivalry were fairly significant. For example, analysis of the interview data showed that some southern-based wine producers were envious of the wine route and networking possibilities in the north:

They also have it easier in a way, in that you go up one side of the river and come down the other...The southern one is very difficult because we don't have that circuit possibility. (Producer 32)

There was also some evidence that the inter-regional rivalry had led to distrust between some groups of Tasmanian wine producers. For example, this study found that a number of TVWR members were dubious of the peak body's motives, and the composition of its board of directors. In view of this, northern wine producers were much more committed and loyal to their sub-regional network the TVWR, as demonstrated by Producer 19:

It is really going to be an important thing in the next twenty-four months to see whether or not they [WIT] even survive, and how we end up interacting as the two groups...I certainly have this perception that whether or not we are treading on each other's toes, or whether it is close to breaking up, but I feel that the group here is so strong...I don't know anyone in that group [the TVWR] that would walk away from it...But WIT on the other hand.

In a similar fashion, some members of the TVWR questioned the need for a peak body in an industry that has a number of distinct wine regions:

I think what has diminished the importance of WIT has been the success of TVWR...the wine route really became consummate and was starting to satisfy most people's needs, so they felt that they didn't have to be a member of the peak body as well. (Producer 24)

Analysis of secondary data also supports the negative effect of inter-regional rivalry, but in addition, it shows that this issue is not new. In fact, in the 2002 Strategic Plan (Vineyards Association of Tasmania. 2002), key items requiring action were to determine if the industry's sub-regional networks should adopt a more formal structure, and whether they should operate within an overarching framework. Evidence from this study, which was conducted eight years on, shows that the same issues are still being debated. What is perhaps different is the role of WIT in this debate. More specifically, the following quote suggests that the change over from VAT to WIT (refer to section 7.3.4) has augmented the rivalry between regions and between Tasmanian wine producers more generally:

I suppose WIT, the peak body, has put us on the map a bit more. But I also think it is mostly for the big players. Whereas I thought VAT was more hands on... You could discuss things, find out how to rectify problems, and just exchange ideas. (Producer 29)

Prior research also supports the presence of inter-firm conflict in any form of collaborative venture (Wang, 2008). Further, von Friedrichs Grangsjö (2003) found that having several parallel networks could lead to feelings of fragmentation within a tourism destination. Much the same situation was found here. In fact, a number of interviewees indicated that the ongoing north/south rivalry was a threat to industry cohesion. Thus, drawing from previous literature, this study found there was more evidence of conflict between networks rather than within them. In response to this issue, the data showed that the roles of WIT and the sub-regional networks should be thought out carefully, so that all of the horizontal networks within an industry are complementary rather than conflicting. The following quote is representative of the reasons for this:

Our state has a lot to offer and I think it is important to have those little sub-regions, because as I said, realistically WIT can't manage all the things that happen day to day, week by week, that happen directly within those areas. That is where groups like the TVWR and WineSouth can look after that kind of stuff. (Producer 20)

Others supported this view, but indicated that finding the right balance may take time:

It is just getting the cohesion between WIT and the TVWR to make sure we are not duplicating stuff and things like that. So that will all take a little while to sort out but I think it is slowly getting there. (Producer 3)

Overall, the common feeling was that the purpose of the sub-regional networks in comparison to WIT was „that WIT gets people here, and we worry about them when they get here' (Producer 8). Another member of the TVWR explained the difference in the following way:

[WIT] is something that you pay into, whereas I suppose your local group is something that you create for yourself. So it is a bit more dynamic, a bit more grassroots. And for small producers, that is what you want; that energy that is generated by getting together. (Producer 22)

Although, at this stage, inter-network conflict was found to be mostly undisruptive, it does threaten the opportunities for state-wide collaboration to occur, and the reputation of the generic Tasmanian wine brand. In the current research, inter-network conflict was found to deter some producers from being involved in collaborative marketing activities because of the issues such rivalry created. Others, however, felt that as more-established producers and somewhat industry leaders, they were responsible for bringing the sub-regions back together and maintaining the sense of unity. The following excerpt illustrates this:

I despair [of] sections of our industry that for some peculiar reason won't cooperate with other people or won't even join a cooperative group...as I get older I get increasingly more impatient with that and that is why I have always put myself forward to help in any of those sorts of ways. (Producer 32)

Finally, recent reports have showed that formal discussions between networks were taking place, and that the purpose of this inter-network collaboration was to clarify their

respective roles and key activities. In a recent report published by the WIT Chairman, the following was reported:

Collaboration between the state and regional wine bodies of the TVWR and WineSouth continues to be positive and a draft Memorandum of Understanding is currently being finalised to clarify the respective roles and further improve communication between each organisation (Wine Industry Tasmania, 2010b: 7).

9.3.3 Intra-network divisions

In addition to the evidence of inter-network rivalry and conflict outlined above, this study also found that the formation of networks within networks, or intra-network divisions, could have a negative effect on collaborative marketing at a network level. This issue was particularly relevant for the larger horizontal networks in this study, such as the TVWR and WIT. These networks were growing in size and beginning to adopt more sophisticated objectives that many of the older wine producers did not necessarily agree with. One of the clearest examples of intra-network division was between the younger winemakers within the Tasmanian wine industry, and producers who were labelled as just „grape growers’. Evidence of this is in the following comment:

The TVWR is a small group but I see a group within the group. There is a group of young winemakers here that have this huge opportunity to go and do our own thing. (Producer 19)

Another „young winemaker’ went on to explain some of the reasons why these smaller and less formal networks had formed:

I think that when I started as part of TVWR it was kind of like there were a lot of new people becoming involved... and there was kind of a changing of the guard if you like. When we entered we were a lot younger than a lot of the members that were there, but in my short time that we have been involved, we have also seen a lot of other younger people getting involved in the wine industry, and so some of the people that had been there for a long time are actually starting to take a bit more of a back seat. (Producer 20)

Although these sub-networks could have a potentially-negative effect on the success of collaborative marketing at the network level, they did offer some positive benefits to the producers involved. These benefits ranged from simply sharing equipment, through to more strategic-level benefits, such as sharing ideas, and enhancing one another's businesses for mutual benefit.

Producer 32, a member of WIT and WineSouth, also admitted to forming sub-networks with other well-established producers in the state:

I guess I will tend to network more with similar people in colleague vineyards and wineries, and say "look I have got this request to export there, have you heard from these people?"...so we bounce ideas around...So there is a bit of networking going on in that way. It is perhaps a bit more specific networking, because perhaps we don't need so much the general networking.

Regarding the negative effect of these sub-groups, their presence was found to make some producers feel as though their voices were not being heard, and that their objectives were not given equal weighting. As an example of this, Producer 18 explained that because:

We are not making our own wine... amongst the guys who are, we are not accepted as being part of the group. We are just grape growers.

Producer 1 had a similar opinion, but this time they related it to their experience of network divisions within WIT:

I am not in the inner circle so I don't know what advertising they did as a group on our behalf...unless you are actually on the committee you don't get to know what the committee is actually doing. As a humble member, as opposed to an office bearer or anything like that, it often feels that WIT are more southern-focused...all the committee members, bar the two that are on the TVWR, are from the south so I think there is an imbalance there in perspectives.

At the other end of the spectrum, a member of the TVWR declared:

There are a lot of people – and this is where the split is within the group – that just grow fruit and use contract winemakers to make wine for them...and then there are a group of people who are weekenders. They have got tiny little vineyards, they don't have a cellar door, but they have got as big a voice as somebody like [Company X]. Their votes are equal too, and that can be problematic. (Producer 19)

Some other interviewees agreed that it was sometimes hard to collaborate with the state's more boutique wine producers, or even those that were much larger:

They are not necessarily focused on promoting the region, as they have a different priority. But then there are the larger producers who have a lot more resources than a family owned place like us. So you need to work out where people are at and what they are willing to do and not willing to do. That has been very interesting. (Producer 17)

There were, however, some respondents who had experienced feelings of competition either directly themselves, or had observed it from the smaller wine producers within the industry. For example, in response to a question regarding the presence of rivalry between Tasmanian wine producers, Producer 33 replied:

I guess everybody will answer this question by saying “no, of course there isn't we are all great friends”. And yeah there is some really good feeling in the industry, but there are a small number of people, and it tends to be the smaller players, who are becoming not aggressive, but competitive...but generally we don't see each other as competitors.

Obviously, having to manage this diverse range of interests takes some time and makes reaching consensus within horizontal networks difficult (as highlighted in section 9.2.2). WIT's decision to adopt a hierarchical membership system had, by design, created the feeling of intra-network divisions at a state-wide level. For example, wine producers who were members of WIT at the ordinary level were made to feel inferior to the national and international marketing members. This view was represented by Producer 33:

By saying that you are membership class A, B, C or D you are immediately segregating the industry. I wouldn't really hang out with, or have much to do with any of the bigger producers now, whereas before they were all the same to me.

Others had found that the expansion of the TVWR to incorporate surrounding regions had led to subtle divisions between wine producers:

Because we are quite big, we almost have to divide into smaller groups within the Tamar Valley now. Like Relbia had a market the other day, and I can see us [the West Tamar] doing that kind of thing. (Producer 22)

Comments such as this demonstrate that intra-network divisions can affect the type and degree of collaborative marketing pursued by Tasmanian wine producers. In the case of the TVWR, a trend towards more location-specific marketing appears to be occurring.

9.3.4 Time and human resources

The final factor that appeared to affect collaborative marketing within horizontal networks was the need for adequate time and human resources. This is closely related to the need for shared contribution and commitment, which was discussed in section 9.2.7. A number of the interviewees indicated that one of the only downsides to collaborative marketing was that it takes time to coordinate, and human resources to implement. An example of the effect this had on their perception of collaborative marketing is as follows:

Actually, I find that the one negative with being part of WineSouth is that I have almost gone too far and done too much for it. Often I have been doing WineSouth stuff rather than doing my own database...somehow you get caught up in stuff. (Producer 15)

Experiences such as this had led some wine producers to encounter what is known as role conflict in the network literature. Further evidence of this was uncovered during the interviews with wine producers who were active members of the TVWR. For example, Producer 20 relayed their experience in this way:

For example, with my role as event coordinator for the Taste of the Tamar, that takes a lot of time. But I have a team of people who support me in that, but at the end of the day there is a lot of stuff that happens. But I still see it as being very important for our business to be actively involved. So yes it is time-consuming, but you just have to balance it. It is like having children.

Another next generation member of the TVWR had a similar perspective:

I feel like if I am seen to be putting time in for particular things then other things I will be able to step back from and let other people manage. And that is a bit hard sometimes, because I can see things that I could do, but I think “no, no, I have to think about my own business”. (Producer 17)

This supports previous research by Zineldin (2004), who argued that one of the main disadvantages for firms belonging to networks is the demand on their resources. Thus, small businesses, such as Producer 17, should be mindful of neglecting their core business activities because they are too involved in a network. Furthermore, if they spend too much time doing things for the network, they may ultimately view collaborative marketing as a burden rather than a benefit (Parker, 2000).

For some other wine producers, having to spend time collaborating at a sub-regional level was simply seen as a waste of time. For example, Producer 16 had this to say about WineSouth:

These smaller regional groups... you go along to those meetings and they are so insular...I could see that it was all about them...and you get people bitching about this and that and every other frickin [sic] thing!

It should be noted that geographical constraints could serve to exacerbate the more administrative barriers to collaborative marketing Producer 16 refers to. For some Tasmanian wine producers, their remote geographical location impeded their ability to participate in horizontal network activity and collaborative marketing. As an example of this, Producer 31 said that:

We try to go to as much as we can, but being isolated makes it hard because you have always got a two hour drive to get to any WIT event.

Others felt that the state of Tasmania was too big to be the one wine region for marketing purposes, which created problems when trying to organise a time and location for all Tasmanian wine producers to get together:

I think the network that WIT gives us is a forum for the whole of Tasmania to get together. The problem with that is that Tasmania is too big a wine

region. It would be the biggest wine region in Australia, if we were try to act as the one group. (Producer 19)

What was encouraging was the level of support within horizontal networks for those who volunteered significant amounts of time and energy. The following statement by Producer 23 is a clear indication of this:

I am surprised that some of the producers that are involved in the marketing side of it have got the time to do it. They just seem to spend so much time on the wine route.

However, the pace at which the Tasmanian wine industry is progressing has meant that relying on volunteers to organise and implement collaborative marketing activities within horizontal networks is a thing of the past. Now and into the future, Tasmanian wine producers will require paid assistants and formal structures to help deliver their marketing objectives.

9.4 Chapter summary

In order to nurture a more collaborative, rather than competitive, horizontal network environment, several factors were found to be important in the context of the Tasmanian wine industry. Most of these factors were relevant at the industry and network level, and influenced the extent to which a horizontal network's collaborative marketing activities were considered to be successful and value for money. This chapter started by discussing the more structural dimensions of network relationships that were found to alleviate feelings of competition and rivalry, and in general, make the process of coordinating collaborative marketing activity much easier. Following this was a discussion of the more social and individual based factors that were not as necessary, but were associated with higher levels of collaborative marketing value and benefits. The final four factors highlighted in this chapter were found to restrict what horizontal networks could achieve. Issues, such as, the financial cost and management time and resource implications of participating in horizontal networks and collaborative marketing activity, appear to be

factors inherent to the nature of running a small business. However, the presence of inter-network conflict and intra-network divisions were found to be more detrimental to the longevity of Tasmanian wine producer relationships, and the sustainability of collaborative marketing programs at a state-wide level.

Overall, the data presented here yields some interesting insight regarding the nature of interaction within the Tasmanian wine industry. On the whole, producers reported feelings of „healthy’ or „friendly’ competition in the industry. The preference for collaboration over competition was also widely recognised by respondents, particularly when it came to communicating a strong brand image of Tasmanian wine, and Tasmania’s wine touring routes. However, interview data do indicate that the Tasmanian wine industry is becoming more competitive than it apparently used to be. This is largely the result of a recent influx of producers entering the industry, and changes in the national and global wine marketing environment

CHAPTER TEN

CONCLUSION

10.1 Introduction

This final chapter of the thesis will bring together the research findings and discussion presented in Chapters Seven, Eight and Nine, and offer answers to the research questions outlined previously. The chapter will also detail the contributions this thesis has made to theory, with a particular emphasis on the areas of horizontal network theory and collaborative marketing. Although this study was based on a specific group of Tasmanian wine producers, this work offers practical insight for other national, state, and sub-regional networks. Finally, this chapter will acknowledge the possible limitations of this study, prior to some suggestions for further research. Overall, the thesis supports the network approach to industrial markets and the move towards a more relational view of inter-organisational exchange.

10.2 Conclusions to the research questions

The principal aim of this thesis was to investigate how and why Tasmanian wine producers collaborate for marketing purposes. This was achieved through an in-depth study of three formal horizontal networks in the Tasmanian wine industry, and a sample of network and non-network members. A qualitative research design was adopted, which involved in-depth interviews with four industry informants and thirty-three individual wine producers, and close inspection of secondary data. During the interviews with wine producers, real-life descriptions and experiences of horizontal networks and collaborative marketing were obtained. Data analysis proceeded inductively within an interpretive approach, which meant preliminary analysis occurred as further data were being collected. Chapters Seven, Eight and Nine reported the key themes and interpretations to arise from

the data analysis. This section brings these ideas together via answers to the following research questions.

10.2.1 Research question one

Why do Tasmanian wine producers join horizontal networks?

The purpose of this question was to explore the motivations Tasmanian wine producers had for horizontal networking and inter-competitor collaboration. By addressing this objective, insight into the different roles of horizontal networks was also gained. Research question one emerged from the underdeveloped literature and theory regarding why competitors form network relationships, and more specifically, why competitors collaborate for marketing purposes. As highlighted in Chapter Two, current research on inter-organisational networks has a clear bias towards the study of buyer-seller dyads, and vertical networks. Far less research has focused on the dynamics of relationships between firms at the same point in the supply chain, which in this study, involved Tasmanian wine producers. Furthermore, few papers have considered the motivations for collaborative marketing from an industrial network perspective.

As one of Australia's smallest wine regions in both production and number of producers, it may be surprising that Tasmania has its own industry association, and two sub-regional networks. Admittedly, each of these networks fulfil fairly distinct roles: two concentrate on promoting and bringing together wine producers in a specific geographic area; while the third is the peak body, whose mission is to develop the industry and promote Tasmanian wine to a wider audience. After analysing the main reasons why Tasmanian wine producers joined horizontal networks, this study found that there were differences depending on the network in question, and the individual producer being interviewed. Overall, most interviewees had multiple reasons for joining one or more of the three horizontal networks. Such motivations were found to develop over time, depending on

the owner/manager's marketing expertise and experience, and the types of activities the network pursued.

Broadly, Tasmanian wine producers' motivations for joining horizontal networks branch across three categories: commercial, social and strategic. As illustrated in Chapter Seven, many interviewees had joined WIT for the learning opportunities it provided and to be part of certain collaborative marketing activities that were only implemented at a state, national, or international level. Similar commercially-oriented motivations were present among members of the sub-regional networks, particularly among some of the smaller interviewees who had insufficient resources to engage in sophisticated marketing on their own. Some differences were also found in relation to the sample's motivations for joining the peak body (WIT), versus their reasons for joining a sub-regional network (such as the TVWR). Specifically, there was a stronger social basis for being involved with a sub-regional network. Most interviewees were more likely to interact with producers in their sub-region, and were more open to sharing ideas and experiences in this informal way so they could develop relationships on a personal level.

This study also found that some of Tasmania's larger, and more entrepreneurial, wine businesses had strategic reasons for joining horizontal networks. The chance to influence decision making and to obtain early access to resources and marketing opportunities was a strong theme within this category. Moreover, Tasmania's larger wine businesses felt they had a responsibility to support industry-wide collaboration, and to be role models or mentors for the state's smaller wine businesses. By doing so, the more-established players could assist their networks in achieving their marketing goals more efficiently and effectively. Although it was primarily the larger and more-established producers in the research sample who had strategic motivations, some of the smaller-sized interviewees had joined a horizontal network so they could enhance their credibility and position within the industry.

It should be noted that not all Tasmanian wine producers are members of the peak body (WIT). One explanation for why some Tasmanian wine producers had either opted out of

WIT, or chosen not to join in the first place, was because this network's objectives were inconsistent with the goals and positioning of their individual wine business. Additionally, many interviewees felt that joining WIT was too expensive, and thus, it was difficult to see value in the collaborative marketing activities this network pursued. Other representatives were of the opinion that Tasmania is now too large a wine region to have only one peak body. And so, the generic marketing activities pursued by WIT should be transferred to the horizontal networks operating at a sub-regional level. This may, however, create new problems of its own; given that some of Tasmania's sub-regions (i.e. the North West and the East Coast) lack the geographic concentration and critical mass which aids the implementation of collaborative marketing at a local level.

In relation to Research Question One, this study concludes that horizontal networks are initially appealing because of the commercial efficiencies they provide, and the opportunities for resource and knowledge sharing. However, over time, as a wine producer's business develops, and the owner/manager becomes more embedded in the social structure of the industry, their motivations for networking are likely to change. In fact, many of the wine producers interviewed here, claimed to attend network meetings and events more for the social activity and interaction, than for the commercial or strategic incentives they once provided. This was particularly true for wine producers who were geographically isolated, or who felt lonely working in a small, family-owned business.

10.2.2 Research question two

*What types of collaborative marketing do Tasmanian wine producers
engage in within horizontal networks?*

Research Question Two emanated from a divergence between the co-opetition and collaborative marketing literatures. On one hand, co-opetition researchers have found that competitors are less likely to collaborate in business areas that are close to the customer,

such as product development and marketing (Bengtsson & Kock, 2000). On the other hand, empirical research in the tourism and agricultural domains has revealed that collaborative marketing is associated with an increased awareness and profitability of tourism destinations, and farming regions. In this thesis, research question two was addressed through inspecting the types of collaborative marketing Tasmanian wine producers engaged in at a horizontal network level, and what expectations and perceptions wine producers had regarding this type of activity.

By and large, Tasmanian wine producers use horizontal networks to coordinate and execute collaborative promotion, regional branding, and to seek out product development, benchmarking, and joint distribution opportunities. One of the most predominant forms of collaborative marketing was the word-of-mouth referrals between producers located within a specific geographical area. This initiative had obvious benefit in terms of increased sales and brand awareness for the producers involved. The data also revealed that producers benefited from participating in collaborative marketing events and informal benchmarking. Wine producers used these network initiatives to develop their knowledge of marketing, exchange ideas about what has worked well and what has not, and to generally improve the quality of their wine product. Annual wine route publications, which are produced by WIT at a state-wide level, and the TVWR at a sub-regional level, were another key form of collaborative marketing. Although this type of collaborative promotion is not uncommon in the wine or tourism industries, both the TVWR and WIT exhibited a strong degree of coordination in this regard. Compared with other forms of collaborative marketing, the wine route brochures were also considered to be a more official form of inter-competitor collaboration. Thus, although they did not offer wine producers the same opportunities to build relationships and interact socially, they did help to identify the network.

This research also supports the notion that collaborative marketing is valuable if the activity increases the likelihood that an individual consumer would select a Tasmanian wine, and that this result exceeds the sum of the wine producers' individual marketing efforts. This concept, which has previously been applied in a tourism context (Hill &

Shaw, 1995), was especially relevant to the collaborative marketing and tasting events identified in section 8.2.1.2 of Chapter Eight. In this regard, Tasmanian wine producers recognise that their ability to attract people to a large-scale wine tasting event is reliant on the number of producers that are involved. Support from large wine businesses is especially valuable, as these members have a larger customer base, and are more likely to attract media and press attention. However, if Tasmanian wine producers were to commit to this type of collaborative marketing time and again, it is vital that they receive some form of noticeable benefit. This was particularly true for Tasmania's micro-sized wine businesses, which generally required greater payback from collaborative marketing events because the financial investment represented a significant portion of their marketing budgets.

Overall, the collaborative marketing activities facilitated by the state's three main horizontal networks have granted Tasmanian wine producers greater attention than what any individual producer could have achieved on their own. This targeted strategy, led by WIT and the TVWR, has involved wine producers pooling their resources, sharing their knowledge and expertise, and ultimately, contributing to the industry's prosperity. A somewhat surprising implication of collaborative marketing in this context was the strong social element. A view held by many interviewees was that the friendship and solidarity between Tasmanian wine producers participating in collaborative marketing events, particularly at a sub-regional level, was unlike anything they had experienced in any other industry, or wine region.

10.2.3 Research question three

What factors affect collaborative marketing pursued by Tasmanian wine producers in horizontal networks?

Following on from Research Question Two, Research Question Three was to identify the factors that affect collaborative marketing pursued at a network level; and indirectly the

value Tasmanian wine producers obtained from horizontal collaboration. Not surprisingly, when a firm enters into a relationship or network with competing businesses additional complexities arise. The most obvious of these include the potential for conflict between the producers' objectives, behaviours, and expectations of the relationship. These complexities are compounded when the situation involves a number of competitors collaborating in a network environment, rather than a partnership or small alliance.

In the context of the Tasmanian wine industry, a range of factors were found to enhance collaborative marketing within horizontal networks. To begin with, relational factors such as commitment, shared contribution, trust, leadership, social relations, and communication were all important for maintaining an environment conducive to collaboration. In particular, a number of respondents indicated that network meetings, events, training days, and informal benchmarking occasions, were good opportunities for wine producers to interact socially, learn about each other's businesses, and generally share information and resources. This finding supports theory relating to the social network perspective, and the link between ongoing interaction and trust in business relationships. As previously highlighted, if wine producers had access to resources and marketing expertise within their business, horizontal network events and meetings were viewed as predominantly an opportunity for socialising.

The importance of frequent social interaction, which also provided producers with an opportunity to establish trust and professional relationships, was a common theme within the interview data. Social interaction and frequent communication between the network firms was also acknowledged as an important foundation for network reciprocity, which in turn resulted in Tasmanian wine producers engaging in more valuable forms of collaborative marketing, such as sharing customers and collaborative distribution. Indeed, many interviewees, particularly those that owned small wine businesses, indicated that they wanted to organise more social functions within their horizontal networks. Time constraints and geographical distance, however, made this type of exercise hard for individual producers to commit to.

Other more structural factors, such as geographic proximity, producer diversity, and formal governance practices, were also found to enhance collaborative marketing at a network level. This supports the key assumptions of cluster theory, which suggests that firms located in close proximity to one another find it easier to collaborate and form network relationships. The data presented in Chapter Nine extend this theory by proposing that critical mass and producer diversity are also important, particularly when the purpose of collaboration is marketing based. Having a number of different firms in a horizontal network had clear benefits for adding to the network's resources. Also, producer diversity was found to indirectly enhance the attractiveness of a horizontal network, and reassure new industry entrants that joining a horizontal network would be useful.

Despite all of this, Tasmanian wine producers felt it was important that collaborative marketing offered mutual benefit to those who participated. In the case of WIT, this was measured by the amount of return an individual producer received for their relatively high membership fees. The findings of this study also suggest that as a wine region matures and the producers located there engage in more sophisticated marketing of their own, individuals may perceive the value of collaborative marketing to be less, unless their business progresses at the same pace. Moreover, a number of interviewees indicated that they were considering ceasing their membership of WIT because participating in their collaborative marketing activities was becoming too expensive, and because the network appeared to favour Tasmania's larger, or southern-based, wine producers. This negativity surrounding WIT was also driven by the fact that many of the network's previous attempts at collaborative marketing had not met the individual expectations of members. Furthermore, given the history behind the formation of WIT, many interviewees compared their experience with the collaborative marketing outcomes they had achieved at a local level, or with their memories of the previous peak body, VAT.

Chapter Nine also reported that the antecedents of collaborative marketing should be considered in view of the potential barriers to horizontal networking. In the Tasmanian wine industry, geographic distance between producers was an obvious barrier to a

networks ability to coordinate collaborative marketing activities. Additionally, many small wine producers have insufficient time and finances to participate in all of the collaborative marketing activities available. In addressing this challenge, some interviewees had opted to join only one horizontal network, or to participate in larger-scale collaborative marketing events every other year. Other factors such as inter-regional rivalry and intra-network divisions were also found to negatively influence collaboration. Importantly, these factors were found to restrict the degree of collaboration between WIT members, because they were embedded within the culture of the industry and that of the state generally.

Despite these potential issues, a number of this study's respondents referred to networking with other Tasmanian wine producers as a core part of their business, and one which granted them significant enjoyment and satisfaction. In particular, the TVWR network was distinguished for its strong bonds between members. In fact, a number of TVWR members indicated that the network was the best example of intra-regional collaboration they had ever experienced. TVWR members also appeared to share the responsibility of decision-making and organising collaborative marketing activities more equally within their network. The network's history, clear structure, and the camaraderie between members, were cited as fundamental to its success. Although WIT had attempted to replicate many of these conditions, there was not the same degree of camaraderie at a state-wide level. This was almost certainly because business networks comprise individuals, and human behaviour is not only variable, but also inimitable. Additionally, WIT is a much larger network and fulfils the role of an overarching body. Therefore, it has to deal with greater member diversity, higher member expectations, and the underlying intra-network rivalry.

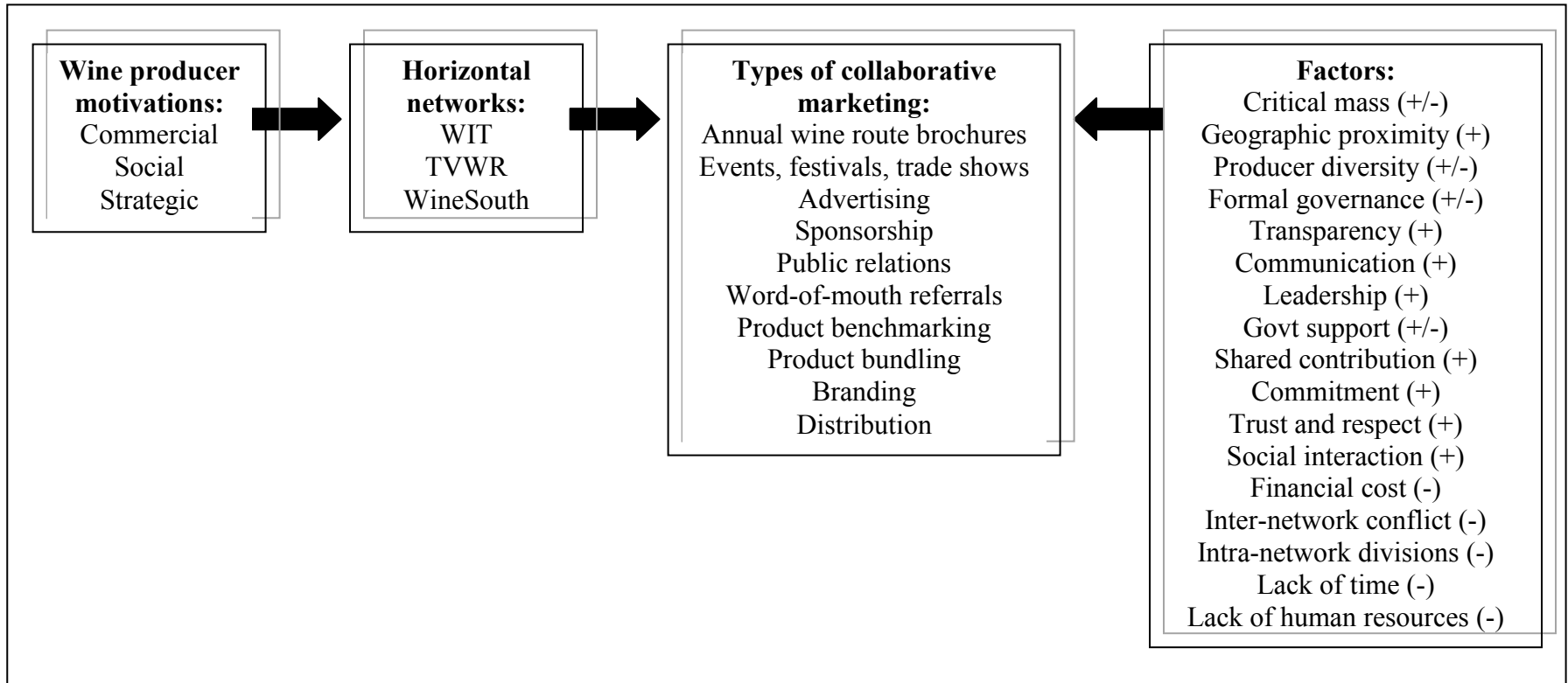
As highlighted in Chapter Seven, three years prior to this study WIT replaced the previous peak body, VAT. The aftermath of this change was still evident in the data collected for this research. Many Tasmanian wine producers, for example, were yet to be convinced that WIT's objectives (and its board of directors) were in the interest of the whole industry. Furthermore, there was some uncertainty regarding if WIT could ever

achieve the same degree of transparency and industry representativeness upheld by VAT. Undeniably, the industry is at a different stage to what it was when VAT was formed some thirty-five years ago. The growing power and size of the TVWR was also found to have contributed to the mixed feelings regarding the value of WIT. Moreover, because many Tasmanian wine producers associate WIT with the government and „big business’, their commitment to this network reflected more of a transactional orientation. This was in contrast to the relational approach they appeared to adopt at a sub-regional level.

However, on the whole, the Tasmanian wine industry still exhibits a more collaborative orientation to its marketing and networking, than that of intense competition. Indeed, the positive implications of collaborating with other producers in an area, and with those throughout Tasmania, were widely apparent within the data. There were a small number of interviewees who had adopted a more competitive position. These producers were either focused on growing their enterprise in international markets, or overcoming their individual economic and commercial challenges. The embedded feeling of rivalry between Tasmania’s northern and southern wine producers is also likely to curb the future of state-wide collaboration. Situations such as this, suggest that the success of collaborative marketing in the Tasmanian wine industry will be determined by the degree to which the two largest horizontal networks can become less conflicting in the activities they pursue.

Figure 10.1 synthesises the key findings of this thesis. Moving from left to right, the framework begins with the reasons wine producers had joined horizontal networks. The three main horizontal networks active within the industry represent the next phase of the diagram. The types of collaborative marketing Tasmanian wine producers engage in constitute the main focus of the model. The success of these activities was influenced by a range of factors, as seen in the final section of the diagram. The affect of these factors was found to be either positive (+) or negative (-) or both (+/-). Overall, Figure 10.1 integrates this study’s findings with pre-established concepts in the literature, and shows how these concepts influence the success of collaborative marketing from a wine industry perspective.

Figure 10.1 Conceptual framework: horizontal networks and collaborative marketing in the Tasmanian wine industry



10.3 Contributions to theory

The theoretical contributions of this thesis lie in four main areas. Firstly, the study adds to the literature on how competitors interact within horizontal networks, and why they collaborate for marketing purposes. This, therefore, is consistent with theory that distinguishes inter-competitor relationships and networks from the more widely-researched buyer-seller perspective. More specifically, this exploratory study offers a definition of collaborative marketing from a network perspective. Collaborative marketing, or cooperative marketing as it is also referred to, is a relatively new field of marketing theory and practice. Hence, studies which offer empirical evidence of this phenomenon are extremely valuable.

Only recently have researchers adopted a more specific focus on marketing relationships between firms at the same point in the supply chain, and as a result, more references to the terms collaborative or cooperative marketing have begun to emerge. Several scholars (see, for example, Dickinson and Ramaseshan, 2008; Fyall & Garrod, 2005; Neilsen, 1987; Palmer, 2002; Wood & Gray, 1991) have already contributed to the development of collaborative marketing theory, however, much of this work is located within the tourism domain and is still yet to be fully validated. This study contributes to this growing body of literature, by providing a conceptual framework that can be applied to future study of the nature of collaborative marketing within horizontal networks in a specific geographic area and industry.

Secondly, this study offers empirical evidence of the positive outcomes that are associated with horizontal networks and inter-competitor relationships in practice, but which are in contrast to the main thrust of the competitive strategy literature. Furthermore, this thesis adds to the existing knowledge of horizontal networks and inter-competitor collaboration in a wine industry context, and, despite the value of horizontal networks to Tasmanian wine producers, has raised some issues at an industry level that must be managed. As was highlighted in Chapter Five, the global wine industry is an increasingly competitive sector, where small firms constitute the majority. Thus, close collaboration

between wine producers can help them to achieve greater awareness of their region and wine product, which subsequently advances their individual reputations far beyond what could be achieved by combining all their individual efforts. However, growing inter-network, and inter-regional, conflict is a possible threat to the otherwise collaborative nature of the Tasmanian wine industry. Although Tasmanian wine producers indicated that their main source of competition was from outside their state boundaries, there was some evidence of rivalry between the sub-regions, such as the Tamar Valley and the Southern wine region. Thus, this study concludes that there are higher levels of competitive behaviour and lower levels of trust between horizontal networks, rather than within them. This adds to the underdeveloped notion that competition is more intense between nations and tourism destinations or between networks and alliances, rather than within them (Easton, 1992; Gomes-Casseres, 1994; Nieslen, 1987). Furthermore, it contributes a new element to theory of horizontal networks and co-opetition. That is, the way in which a firm behaves in a horizontal network environment, and the benefits that it acquires from this collaboration, does depend on the number of alternative horizontal networks present within the industry.

A third contribution made by this research is in terms of the framework outlined earlier in the previous section. This enhances the current understanding of how and why competitors form horizontal networks, and how they collaborate for marketing purposes. The framework sets out the various factors that enhance and inhibit collaborative marketing between firms at network level, and the types of collaborative marketing wine producers, who are predominantly small firms, are likely to engage in. Thus, this framework contributes to the growing field of SME marketing and offers further insight into the phenomenon of collaborative marketing from this perspective.

Finally, the findings from this study challenge much of the conventional economic theory that has long been dominant in the competitive strategy and marketing literature. Traditionally, organisations were thought to engage in a constant struggle over resources, and thus they preferred to make decisions and implement strategies individually, rather than interdependently with external parties (Day & Wensley, 1983; Stern, 1971;

Williamson, 1975). This exploratory study of collaboration and networking within the Tasmanian wine industry has revealed a situation where quite the opposite is true. Here, analysis of qualitative data showed that the majority of Tasmanian wine producing firms prefer to collaborate with each other, rather than to compete head-on. The network literature emphasises a number of factors which are important for inter-organisational relationship success and longevity. Many of these factors, such as trust, commitment and mutual benefit, were substantiated in this study, especially in the context of sub-regional networks. However, the study added new concepts that are relevant when the network or relationship is one that involves competitors, and when these relationships operate in a small industry context. From an overall standpoint, this thesis supports the foundations of network theory, which argue that organisations and enterprises are interconnected and that industrial markets resemble a network of firms (Johanson & Vahlne, 2011; Milward & Provan, 2003). Thus, this research adds to the growing body of industrial marketing literature that supports a new perspective on competition, and a paradigm shift away from transactional to relational marketing.

10.4 Implications for practice

This research was undertaken to investigate the linkages between a unique form of network arrangement and marketing. Because both horizontal networks and collaborative marketing are relatively unfamiliar territory for many businesses, this research can be used to drive strategies and actions which translate into practical success. This research is also particularly useful for industry organisations looking to develop collaborative marketing strategies at a local, sub-regional and state level. The findings reported in Chapters Eight and Nine, offer insight into the types of collaborative marketing wine producers undertake, and the factors that affect the value and outcomes of this activity. Tasmanian wine producers in particular are likely to benefit from this knowledge through being better prepared and informed, before they participate in collaborative marketing activities. This study also has implications for horizontal networks of wine producers in other wine regions and countries that exhibit similar characteristics to that of Tasmania.

This study showed that collaboration within, and between, horizontal networks can contribute to greater awareness and reputation of a wine region and its products. However, ensuring that this type of activity offers mutual benefit to all involved is not a straightforward task. In this research, three horizontal networks were analysed in relation to the factors that affect their collaborative marketing strategies, and the dynamics of interaction. Although structural dimensions like proximity, producer diversity, and formal governance were all found to be important, the longevity and reciprocity of horizontal networks is grounded in more relational dimensions like trust, regular social interaction, transparency, communication, and commitment. Therefore, wine producers should be mindful not to let the commercial and strategic advantages of horizontal networks replace the more basic need for social interaction.

Producer diversity and critical mass were also found to reduce feelings of competition within a horizontal network. However, these factors could also be detrimental to collaboration if not managed carefully. Findings like this imply that networks should be mindful of the number of producers participating in a collaborative marketing venture and the background of these firms. On the one hand, collaborative marketing events benefit from large numbers and increased diversity. On the other hand, collaborative distribution or product development becomes difficult to coordinate and implement if too many producers are involved, or if the producers have too diverse interests and objectives. An increase in network size and diversity can also contribute to divisions within a network, which can be detrimental to collaborative activity.

Within Australia there are already a large number of independent winemaker and vigneron associations, which vary in size, scope and objectives. Thus, there is significant opportunity for the findings from this research to contribute to the practice of horizontal networking and collaboration within other regions and networks in Australia. More specifically, understanding how and why wine producers form horizontal networks and collaborate for the purposes of marketing should assist Tasmanian wine producers in managing their ongoing involvement in business networks more strategically. Knowledge of this type may also be used by network leaders to ease the process of decision making

and allocation of joint resources among firms in a horizontal network. For individual wine business managers, this research has uncovered many practical and tangible explanations of why certain networks and collaborative marketing plans succeed, and why others fail to provide their members with any true benefit.

This study's findings also have implications for government agencies, which are often called upon to support horizontal networks and to initiate collaborative marketing activity. In Tasmania's case, the Department of Economic Development, Tourism and the Arts could use the findings of this research to further assist Tasmanian wine networks with policy decisions, and the allocation of public resources. A key finding of this study was that the Tasmanian wine industry is likely to experience growing competition between networks rather than within them. It is anticipated that as the TVWR continues to grow and strengthen in numbers, it will become a peak representative body in its own right, thus further reducing the incentive for its members to be part of WIT. In this situation, government intervention could be valuable in terms of reuniting the industry and offering external leadership.

This study found that some wine producers felt somewhat nervous about the increasing size of their sub-regional networks and the industry in general. One explanation for their concern was because they believe that as a network grows in size, each producer's share of the benefits decreases. A practical implication of this study is that Tasmania's wine networks must adopt a new position, which demonstrates that an increase in numbers and diversity can, in fact, lead to positive change. Providing the new entrants to the network are willing to share their resources and knowledge, existing network members should be able to work together to create a 'bigger pie' rather than just focusing on the 'smaller slice'.

It should also be noted that the Tasmanian wine industry is undergoing a period of expansion. Since data were collected for this study, the industry has welcomed some new wine producers and cellar doors. Subsequently, the structure and size of the industry's networks are changing. Moreover, in late 2010 WIT appointed a new executive officer,

and anecdotal evidence suggests that this has already resulted in the network adopting a more inter-regional orientation. Actions such as this may help to alleviate some of the issues and concerns wine producers expressed during interviews regarding the culture of WIT, and its strong southern focus. These changes also support this study's conclusion that for collaborative marketing to be a success, horizontal networks must provide the firms involved with mutual benefit and reciprocity. As the findings of this research suggest, individual wine producers will be more likely to collaborate with others when the required inputs and provided outputs are relatively equal for all the firms involved.

10.5 Research limitations

This study's findings should be considered in light of the following limitations. Firstly, the research design was of an exploratory nature and was confined to a single industry, within a single geographical area. Thus, the findings cannot be generalised. Instead, they provide a framework from which future research can be built upon. This study was also cross-sectional, thus, the research was limited to the respondents' recollection of past events, and their memory of these may have influenced their current perception of horizontal networks and collaborative marketing.

This study used in-depth interviews with owner/managers as the primary means of data collection, because it was assumed that these individuals would be the most suitable representatives to interview. Following data collection, it was learnt that many of Tasmania's larger wine businesses appoint a winemaker or cellar door manager to represent the business in networks, and these individuals subsequently participate in collaborative marketing activities. Such individuals were, however, not interviewed for the purposes of this study. That said, the majority of businesses in the research sample were small in size, in which case the owner would have been the most qualified to comment on their firm's involvement in networks and collaborative marketing.

A further limitation of this research is related to the notion that the owners and managers of small businesses tend to have a narrow view of marketing (Carson & Gilmore, 2000). Although this thesis defined collaborative marketing quite broadly, some respondents may have focused their discussions on certain types of collaborative marketing, namely, word-of-mouth promotion, joint events, and advertising. Consequently, this may have influenced the findings in relation to research question two. Although this is recognised here as a limitation, each interviewee's understanding of key concepts was addressed at the start of each interview, at which point a general discussion of their individual marketing activities, strategies, and their business success and failures was had. This meant it was possible to agree on definitions with each wine producer, prior to them sharing their personal opinion and experiences of collaborative marketing. Although this study set out to explore the nature of networking among all Tasmanian wine producers, due to the structure of the Tasmanian wine industry, and the study's final sample, its findings predominantly relate to the SME sector. Moreover, this thesis has a clear focus on Tasmanian wine producers' perceptions and experiences of collaborative marketing, which was a natural choice given the industry's current phase of development. As a result, there was less in-depth discussion of the benefits of horizontal networking in terms of other business functions, and this may therefore limit the applicability of the findings.

Finally, the methodological approach adopted was such that horizontal networks and collaborative marketing were studied from an individual firm perspective, within a qualitative research context. Although in an ideal situation each member of the respective networks would have been interviewed, time and resource constraints restricted the research sample to thirty one wine producers who were members of at least one network, and an additional two wine producers who were not members of WIT, the TVWR, or WineSouth at the time of study. To some extent, the composition of this sample and the qualitative approach taken may restrict the explanatory power of this study's findings.

10.6 Further research

Given the rich amount of data obtained via this study, there are many opportunities for further research. The procedures outlined in Chapter Six could be used to replicate this study in new and wider contexts. Tasmania as a wine region is a relatively young, and particularly small, industry. Its geographical location makes it Australia's only island state, and accordingly, its climate and characteristics are unlike any other wine region on the mainland. Regarding the intricacies of the industry, many of the original pioneers are still heavily involved in wine production and wine networks. Tasmania also prides itself on its boutique, hand-crafted, and premium wine output. For reasons such as this, it is possible that wine producers in other Australian wine regions hold different views about collaborative marketing, and are more or less involved in horizontal networks. Therefore, the first area for further research would be to examine the similarities and differences between the data presented here, and that collected via interviews with wine producers in other wine regions. Comparative work of this nature would assist in determining whether wine producers in Tasmania are more open to collaborative marketing because of the industry's stage of development and unique characteristics. Comparative work in large-scale wine regions, such as the Barossa Valley, would give an even fuller picture of the role of horizontal networks in facilitating collaborative marketing.

There are even more opportunities for further research in the context of other industries and other countries. Replication of this study in Tasmania's tourism industry, for example, or in other areas of the agricultural sector, would allow the conceptual framework to be tested. This may also add further support to the premise that the intensity of collaborative marketing varies according to the industry sector and the country (Felzensztein, 2008).

Although O'Donnell and Cummins (1999) call for a longitudinal research design in studies of SME networking, this approach was not feasible here given the time constraints of a doctorate study. The data collection process did, however, correspond with a retrospective approach. The historical insight provided by some Tasmanian wine

producers suggests an avenue for further research, namely, how do changes to horizontal networks affect the success and value of collaborative marketing.

Another stream of further research relates to the notion of inter-regional rivalry. A key conclusion of this study was that inter-network competition is more prevalent in the Tasmanian wine industry. Future researchers could therefore expand on this notion by exploring the implications of inter-network competition, and possibly, identify the optimum number of horizontal networks within a single wine region. Following the suggestion of Tidström (2009), future studies could also explore at what point, and under what circumstances, wine producer behaviour within horizontal networks becomes more competitive. This research has shown that as horizontal networks increase in size, and they become more rigid, wine producers perceive their share of benefits to be getting smaller, and thus, their behaviour may change accordingly.

Additionally, this thesis has found that although Tasmanian wine producers currently engage in a range of collaborative marketing activities, this may be because the industry is still quite young. In other words, building a collective reputation and improving regional awareness is still important because the industry is yet to reach a point of maturity. Fast forward ten years, and it would be interesting to study whether the propensity for Tasmanian wine producers to collaborate is still the same. Studies of this type could also examine what factors have contributed to either the longevity, or the demise, of collaborative marketing.

Finally, although this research was based on data drawn from interviews with the owner/managers of Tasmanian wine businesses, it was noted that one of the main networks is moving towards incorporating associate members from complementary industries such as tourism, food, and other alcohol producers. Accordingly, extending this research to include the perspectives of these associated businesses would add to the current insights regarding collaborative marketing.

10.7 Final statement

This study has explored the nature and outcomes of collaborative marketing between Tasmanian wine producers at state-wide and sub-regional levels. Three main horizontal networks were identified; each of these was found to pursue some degree of collaborative marketing, however, they were characterised by different levels of inter-producer interaction. Although this study supports the notion that the more successful horizontal networks are those that adopt a formal structure, informal interaction and socialising between wine producers should also be encouraged. Here, the data showed that regular social interaction helps to build trust, commitment, and respect. Interviewees also acknowledged that the industry was characterised by high levels of camaraderie and unity, particularly at a sub-regional level.

The Tasmanian wine industry is undergoing a phase of strong growth and development, much of which can be attributed to the production and marketing activities pursued at a network level, and the commitment of producers to promote the Tasmanian wine brand above and beyond their own. The fact that there is high demand for Tasmanian grapes, and for finished Tasmanian wine, has also contributed to an environment of healthy competition and collaboration. If, however, Tasmanian wine producers were facing the same issues of oversupply that are a feature of other Australian wine regions, their motivations for horizontal networking may be different. Thus, a final conclusion to be drawn from this study is that Tasmanian wine producers' propensity to collaborate with each other for the purposes of marketing, is partial to the characteristics of the industry outlined in Chapter One. In particular, because the region's contribution to Australia's total wine output is so small, the recognition and reputation of Tasmanian wine in domestic and international markets, largely depends on the extent to which wine producers engage in collaborative marketing and branding activities. Providing the leaders of Tasmania's wine networks can minimise the negative implications of inter-regional rivalry and intra-network divisions; the commercial, strategic, and social benefits of horizontal networking should continue for many more vintages.

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APPENDICES

APPENDIX A

INFORMATION SHEETS FOR WINE PRODUCERS

Information sheet sent to wine producers who were known members of horizontal networks, and/or an exhibitor at the 2009 Tasmania Unbottled roadshow:

Private Bag 1316 Launceston
Tasmania 7250 Australia
Telephone (03) 6324 3932 Facsimile (03) 6324 3369



SCHOOL OF MANAGEMENT

[Date]

Information sheet for ‘Marketing in the Tasmanian wine industry’

Dear [owner/manager’s name],

I would like to invite you to participate in a research study that aims to uncover the value of networks and collaborative marketing activity for Tasmanian wine producers. The following information is provided for your consideration. Should you choose to participate, all information you supply during the course of the study will remain confidential and you will receive a final report of the study’s main findings upon completion of data analysis.

The study fulfils the major requirements of my Doctor of Philosophy (PhD) with the School of Management at the University of Tasmania, and is supervised by Dr John Byrom and Dr Martin Grimmer.

In the past decade many researchers have found that business networks offer firms considerable opportunities to engage in collaborative activity, share resources, learn new capabilities, and build critical mass in order to compete against large, conglomerate type firms. The wine industry, like many others in the agricultural and tourism sectors, occupies networks of all shapes and sizes and contains many examples of successful collaborative activity. Collaborative network arrangements are the primary focus of my research, and specifically I am interested in exploring how being involved in a network of this type can assist firms to enhance their marketing capabilities and business performance. The Tasmania Unbottled roadshows are a fitting example of collaborative network activity. As a Tasmanian wine producer you have been selected to take part in this research. By speaking to a range of producers I hope to be able to provide insight to small and medium sized firms within a very competitive market as well as advance our understanding of Tasmania’s unique industry.

If you agree to take part in my research, you will need to consent to a face-to-face interview, during which I will ask a range of semi-structured questions relating to my research themes. I expect that this interview would take no more than an hour of your time, and can be carried out

at a place and time convenient to you. Subsequent contact may be requested in around a year's time, to discuss your involvement in collaborative marketing activity and the impact this has had on your business. This follow up discussion should again take no more than an hour of your time, and can be conducted as a telephone interview if a face-to-face interview is not convenient.

Participation in this study is entirely voluntary. While I would feel very privileged to have you participate, I respect your right to decline or withdraw yourself and any data you have supplied at any time without explanation. You also have the right to decline to answer any question during our discussions. If you agree to participate, you will be asked to sign a consent form prior to the initial interview taking place.

With your permission, all interviews will be audio recorded and transcribed. However, you can request to read your interview transcript(s) prior to data analysis to ensure they comply with your recollection of what was discussed. All information and material you provide during the course of the study will be treated in a confidential manner, and your name or your company name will not be disclosed in my dissertation or any publication arising out of the research. To ensure this, any participants involved in the study will be disguised through a labelling system, for example, Firm A, Firm B, and so on.

Furthermore, during the data collection period all data will be stored securely on a password protected computer, in a locked office at the University of Tasmania Newnham Campus. Upon completion of the study, all data will be kept secure for a period of five years. At the end of that time, the data will be destroyed: paper records will be shredded and electronic and audio records will be deleted.

This study has been approved by the Social Sciences Human Research Ethics Committee. If you have concerns or complaints about the conduct of this study you should contact the Executive Officer of the HREC (Tasmania) Network on (03) 6226 7479 or email human.ethics@utas.edu.au. The Executive Officer is the person nominated to receive complaints from research participants. You will need to quote *HREC project number: H12423*.

Thank you for taking the time to read this information sheet, and helping make this study possible. I will contact you again early next week to ascertain whether you are willing to take part, and if so, arrange a time for an interview. In the mean time, if you would like to discuss any aspect of this study please feel free to contact me, or one of my supervisors, via the contact details listed below.

Yours sincerely,

Gemma Roach

.....

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P: (03) 6226 2824
F: (03) 6226 2808
Martin.Grimmer@utas.edu.au

Information sheet sent to wine producers who were *not* members of any of formal horizontal networks in the Tasmanian wine industry:

Private Bag 1316 Launceston
Tasmania 7250 Australia
Telephone (03) 6324 3932 Facsimile (03) 6324 3369



SCHOOL OF MANAGEMENT

[Date]

Information sheet for 'Marketing in the Tasmanian wine industry'

Dear [owner/manager's name],

I would like to invite you to participate in a research study that aims to investigate the marketing activities of small and medium sized Tasmanian wine producers, and relationships within the industry. The following information is provided for your consideration. Should you choose to participate, all information you supply during the course of the study will remain confidential and you will receive a final report of the study's main findings upon completion of data analysis.

The study fulfils the major requirements of my Doctor of Philosophy (PhD) with the School of Management at the University of Tasmania, and is supervised by Dr John Byrom and Dr Martin Grimmer.

In the past decade many researchers have found that relationships and networks offer businesses vast opportunity to share resources, learn new capabilities, and build critical mass in order to compete against larger firms. The wine industry, like many others in the agricultural and tourism sectors, occupies networks of all shapes and sizes and contains many examples of successful collaborative and independent marketing activity. Different businesses engage in this type of behaviour at different levels, and it is my aim to speak to *all* producers regardless of their size and involvement in the industry. By doing so, I hope my research will provide guidance to all types of small and medium sized vineyards within a very competitive industry, as well as fill a gap in the extensive literature on small firm marketing.

If you agree to take part in my research, you will need to consent to a face-to-face interview, during which I will ask a range of semi-structured questions relating to my research themes. I expect that this interview would take no more than an hour of your time, and can be carried out at a place and time convenient to you.

Participation in this study is entirely voluntary. While I would feel very privileged to have you participate, I respect your right to decline or withdraw yourself and any data you have supplied at any time without explanation. You also have the right to decline to answer any question

during our discussions. If you agree to participate, you will be asked to sign a consent form prior to the initial `interview taking place.

With your permission, all interviews will be audio recorded and transcribed. However, you can request to read your interview transcript(s) prior to data analysis to ensure they comply with your recollection of what was discussed.

All information and material you provide during the course of the study will be treated in a confidential manner, and your name or your company name will not be disclosed in my dissertation or any publication arising out of the research. To ensure this, any participants involved in the study will be disguised through a labelling system, for example, Firm A, Firm B, and so on.

Furthermore, during the data collection period all data will be stored securely on a password protected computer, in a locked office at the University of Tasmania Newnham Campus. Upon completion of the study, all data will be kept secure for a period of five years. At the end of that time, the data will be destroyed: paper records will be shredded and electronic and audio records will be deleted.

This study has been approved by the Social Sciences Human Research Ethics Committee. If you have concerns or complaints about the conduct of this study you should contact the Executive Officer of the HREC (Tasmania) Network on (03) 6226 7479 or email human.ethics@utas.edu.au. The Executive Officer is the person nominated to receive complaints from research participants. You will need to quote *HREC project number: H12423*.

Thank you for taking the time to read this information sheet, and helping make this study possible. If you are happy to participate please feel free to contact me via the email address or phone numbers below. Otherwise, I will contact you again in the next few days to ascertain whether you are willing to take part, and if so, arrange a time for an interview.

Yours sincerely,

Gemma Roach

.....

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APPENDIX B

INFORMATION SHEET FOR INDUSTRY INFORMANTS

Private Bag 1316 Launceston
Tasmania 7250 Australia
Telephone (03) 6324 3932 Facsimile (03) 6324 3369



SCHOOL OF MANAGEMENT

[Date]

Information sheet for 'Marketing in the Tasmanian wine industry'

Dear [individual's name],

We would like to invite you to participate in a research study that aims to investigate the business and marketing practices undertaken by small Tasmanian wineries. The following information is provided for your consideration. All information will remain confidential and, should you partake in the study, you will receive a summary report of the main findings upon completion.

The study fulfils the major requirements of a Doctor of Philosophy with the School of Management at the University of Tasmania. The research will be conducted by Miss Gemma Roach, a PhD candidate with the School, and supervised by Dr John Byrom and Dr Martin Grimmer.

The Australian wine industry has experienced tremendous growth in the last decade, and now occupies approximately 2300 commercial wine companies, with more than half being considered small firms. In Tasmania alone, more than 60 per cent of the state's wine producers crush less than 20 tonnes of grape per year. To date, a large portion of the business or marketing oriented research into Australian wineries and wine consumers has focused on the preferences of wine consumers and the superior performance of large, South Australian or New Zealand wineries. To our knowledge, this would be the first marketing research study into the Tasmanian wine industry. The main purpose of the study is to explore the marketing practices undertaken by small Tasmanian wineries, with the aim of developing a framework that can be used by owner/operators when planning their marketing activities, and applied in future academic research.

You are eligible to participate in this study because you have been identified as a key informant in the Tasmanian wine industry. Should you choose to take part, you will be asked to take part in a tape recorded face-to-face, or telephone interview at a place and time convenient to you. It is anticipated that the interview will take approximately 45 minutes, and incorporate a range of questions regarding your knowledge, perception and opinions of the marketing activities and dynamics currently in play in the Tasmanian wine industry.

Subsequent contact may be requested to clarify or further explore themes that were raised in the initial interview. If a follow up interview is required, it will be in the form of a telephone interview at a time most convenient to you, and will not exceed 15 minutes duration.

With your permission, all interviews will be audio recorded and transcribed. You will have the opportunity to view your interview transcript(s) to ensure that it complies with your recollection of what was discussed.

Participation in this study is entirely voluntary. While we would feel privileged to have you participate, we respect your right to decline, or withdraw yourself and any data you have supplied at any time up until analysis commences. You also reserve the right to decline to answer any question. If you agree to participate, you will be asked to sign a consent form prior to the initial interview taking place.

All information and material you provide during the course of the study will be treated in a confidential manner, and your name will not be used in any publication arising out of the research. Upon completion of this study, all the data collected will be stored securely for a period of five years following publication of the data. At the end of that five year period, all the data will be destroyed: paper records will be shredded and tape and electronic records will be deleted.

This study has been approved by the Social Sciences Human Research Ethics Committee. If you have concerns or complaints about the conduct of this study you should contact the Executive Officer of the HREC (Tasmania) Network on (03) 6226 7479 or email human.ethics@utas.edu.au. The Executive Officer is the person nominated to receive complaints from research participants. You will need to quote *HREC project number: H10423*.

If you would like to discuss any aspect of this study please feel free to contact any member of the research team via the contact details listed below

Thank you for taking the time to read this information sheet, which is yours to keep. I will be contacting you in the near future to ascertain whether you are willing to take part, and if so, arrange a time for interview.

Yours sincerely,

Gemma Roach

.....

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APPENDIX C

INTERVIEW SCHEDULE FOR INDUSTRY INFORMANTS

Key themes to be explored during interview:

Interviewee's position and involvement in wine industry

- Length of their involvement
- Experience or involvement with other industries/regions

Structure of industry

- Number of small, medium and large wineries
- Key players
- Strengths, weaknesses, threats and opportunities of industry

Challenges faced by small wineries

- What are they?
- How do wineries deal with such challenges?
- Are there any challenges specifically faced by Tasmanian wineries?

Marketing

- What specific practices they have encountered
- What suggestions do they have for what the industry could be doing
- What examples of collaborative marketing activity do they know of
- Exporting
- Branding (individual, state, national level)

Have you been involved in any planning or marketing projects for the Tasmanian wine industry?
If so, what did they involve and what are your thoughts on the future of the Tasmanian wine industry?

Networking and social relationships

- Formal and informal networks that exist
- Social versus economic relationships
- Local, national and international networks

History of industry

- Key events that have led to changes in the industry
- Key players in the industry
- Their knowledge of the history
- Does history affect the future of the industry

What are some of the major changes you have seen in the Tasmanian wine industry? How have these affected the positioning of the industry or the industry's success? What is your overall assessment of industry?

Thank you very much for your time. Do you have any questions?

APPENDIX D

INDUSTRY RELATED EVENTS ATTENDED

The researcher attended the following wine industry events prior to commencing Stage Two of data collection:

Event Name	Date and Location	Organised/Hosted By:
Deloitte “Surviving turbulent times” Annual Benchmarking Seminar	22 April 2009; Launceston, Tasmania	Deloitte and Wine Industry Tasmania (WIT)
Tasmania Unbottled roadshow	4 August 2009; Melbourne, Victoria	WIT
Finalyson's National Wine Roadshow XVII	10 August 2009; Campbell Town, Tasmania	Finalyson's Australian Wine Lawyers and WIT
Tasmanian Wine Fair	15 August 2009; Launceston, Tasmania	David Johnstone Distributors
Tasmania Wine Brand Workshop	20 August, 2009; Campbell Town, Tasmania	WIT and Brand Tasmania ²⁹
Taste of the Tamar	12 September, 2009; Launceston, Tasmania	Tamar Valley Wine Route (TVWR)

²⁹ The independent Brand Tasmania Council was established in July 1999 to formulate and promote a place-of-origin branding initiative for Tasmania. Its members include leaders of the private sector and representatives of the Department of Premier and Cabinet, Tourism Tasmania and the Department of Economic Development, Tourism and the Arts.

APPENDIX E

INTERVIEW SCHEDULE FOR WINE PRODUCERS

1. SIGN CONSENT FORM BEFORE STARTING.

2. Do you have any questions of me?

BUSINESS BACKGROUND

- Can you tell me a little about your business?
 - Its size in terms of number of employees, yield (tonnes crushed p.a.)
 - Ownership structure
 - When was it established?
 - What is your position or role within the business?
 - Business goals
- Business /industry opportunities
- Challenges or threats
- Changes to industry/ reasons for/ implications

MARKETING HISTORY

- How do you go about selling your wine? Has this changed in the past? If so, how has it changed?
- Do you have any marketing or sales goals? Have you reached these?
- Do you have any promotional material I could have a look at?

NETWORKS

- What networks do you or your business belong to? (e.g. WIT)
- In your mind, what is the purpose or role of Wine Industry Tasmania?
- What does being a member of WIT do for your business?
- What level of membership do you have with WIT?
- Do you think they offer different benefits to different sized producers or different regions?
- Are you a member of any other networks or industry groups?
- What is the role of WineSouth or the TVWR?
- Do you occupy a particular position within either of these networks? Are you on any committees?
- What does your business get out of being part of WineSouth or TVWR?
- Do you feel that you work closer with the producers in your particular region (Tamar Valley, Coal River Valley, east coast etc)?
 - Do you think regional networks are more important?
- Do you belong to any social networks within the industry?
- Do these provide different benefits from other more formal networks like WIT?
- How did these connections come about?
- Overall, what does your business get from networking with other Tasmanian wine producers?

COLLABORATIVE MARKETING

- Can you describe to me any instances where you have taken part in some form of marketing (or promotional) activity with other Tasmanian wine producers?
 - Why did you get involved?
 - What were the benefits of this activity for your business?
 - Were there any mutual benefits? What were they?
 - Would you do anything differently next time?
- Have you learnt anything about marketing or how to sell your wines more effectively from being part of a wine industry network (group)?
- Have you changed any of your business practices as a result of observing someone else doing something differently?
- Have there been any instances when being part of a wine industry network or marketing group has enabled your business to do things you would have otherwise been unable to do?

COMPETITION AND RIVALRY

- Do you consider other Tasmanian wine producers to be your competition? Why or why not?
- Are there any situations or scenarios where they do become your competitors or where you have experienced rivalry between producers?

RELATIONSHIPS

- Do you consider your relationship with other wine producers to be important?
- Are some relationships stronger than others? Why? And if so, who do you have the strongest relationships with?
- Do you feel that collaboration and cooperation between wine producers is important? Why?
- Has the extent of collaboration or cooperation within the industry changed? Or do you predict it will change?
- Would you say that trust is important to establishing successful relationships and networks within the Tasmanian wine industry? Why so?
- What other factors do you think are important to successful (horizontal) relationships between Tasmanian wine producers?

RELATIVE IMPORTANCE

- What contributes more to the success of your business: the marketing/promotion you do individually or the marketing you do as part of a group?
- On a scale of one to ten, how important is being a member of WIT to your business?
- On a scale of one to ten, how important is being part of WineSouth or TVWR to your business?
- On a scale of one to ten, how important are social relationships with other wine producers to your business?
- On a scale of one to ten, how important is maintaining strong relationships with your distributor(s) / growers/ winemaker to your business?

Thank you very much for your time.

Do you have any questions?

Would you like me to send you a copy of our interview transcript for your approval?

APPENDIX F

LIST OF TREE NODES FROM QSR NVIVO

- (1) actual horizontal networks in the Tasmanian Wine Industry
- (1 1) formal networks
- (1 1 1) Tamar Valley Wine Route
- (1 1 2) Wine Industry Tasmania
- (1 1 3) Wine South
- (1 2) informal networks
- (1 3) past networks no longer in existence
- (1 3 1) Vineyards Association of Tasmania
- (2) collaboration
- (3) competition
- (4) descriptive data on respondents and or industry
- (4 1) business goals
- (4 2) challenges in industry
- (4 3) general marketing perspective
- (4 4) opportunities in industry
- (4 5) owner manager background
- (5) barriers to collaboration in horizontal networks
- (5 1) conflict or competition
- (5 1 1) inter network conflict or competition
- (5 1 2) intra network conflict or competition
- (5 2) costs
- (5 2 1) financial expense
- (5 2 2) lack of time
- (5 3) isolation
- (5 3 1) geographic isolation or remoteness
- (5 3 2) loneliness
- (5 4) other barriers
- (6) antecedents to collaboration in horizontal networks
- (6 1) activity related
- (6 1 1) mutual benefit or outcomes
- (6 1 2) mutual contribution or assistance
- (6 2) actor bonds and relationships
- (6 2 1) commitment to network
- (6 2 2) social element and camaraderie
- (6 2 3) trust
- (6 2 3 1) credibility
- (6 2 3 2) respect
- (6 3) characteristics of Tasmanian wine industry
- (6 3 1) geographic spread and location of producers
- (6 3 2) industry life stage and lack of awareness
- (6 3 3) premium focus of products
- (6 3 4) industry size i.e. small
- (6 4) characteristics of Tasmanian wine producer networks
- (6 4 1) diversity

- (6 4 2) government support or other external facilitator
- (6 4 3) large firm involvement for resources
- (6 4 4) leadership or network champion
- (6 4 5) network resources
- (6 4 5 1) versus individual firm resources
- (6 4 6) transparent structure and governance
- (6 4 6 1) roles within network
- (6 4 6 1 1) centrality in network or network activity
- (7) perceptions of horizontal networks
- (7 1) compared to vertical B2B relationships
- (7 2) disadvantages or downsides to HN
- (7 3) network development or evolution over time
- (8) types of collaborative marketing activity occurring (4 P's)
- (8 1) joint distribution (place)
- (8 2) promotional events (promotion)
- (8 2 1) Tasmania Unbottled (promotion)
- (8 2 2) Taste of the Tamar (promotion)
- (8 3) referrals (promotion)
- (8 4) sponsorship and public relations (promotion)
- (8 5) collaboration setting prices (price)
- (8 6) research and development (product)
- (8 7) benchmarking and informal tasting (product)
- (9) why CM occurs in horizontal networks
- (9 1) benefits of horizontal networks and or collaborative marketing
- (9 1 1) organisational learning
- (9 1 2) social element fun enjoyment
- (9 2) reasons for joining or forming horizontal network(s)

APPENDIX G

EVENT PHOTOS AND NETWORK MATERIALS



Image 1: Taste of the Tamar 2009 (photo researcher's own)



Image 2: Tasmania Unbottled roadshow 2009 (photo courtesy of WIT)

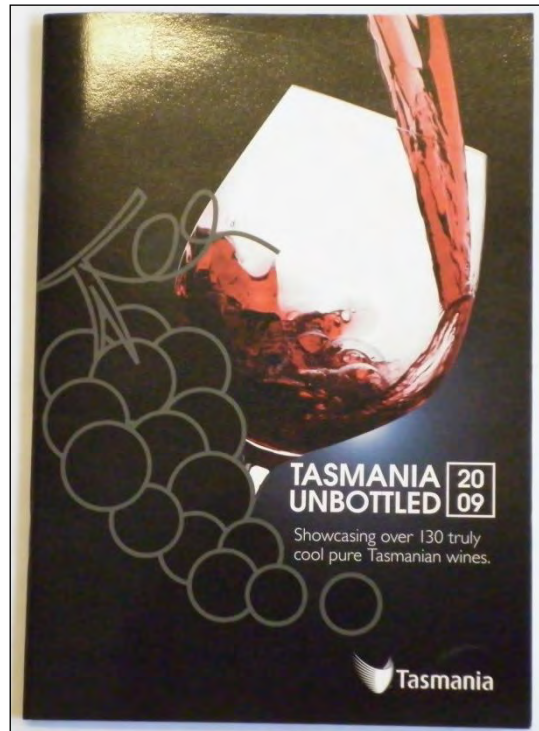


Image 3: Tasmania Unbottled 2009 event booklet published by Wine Industry Tasmania (WIT)

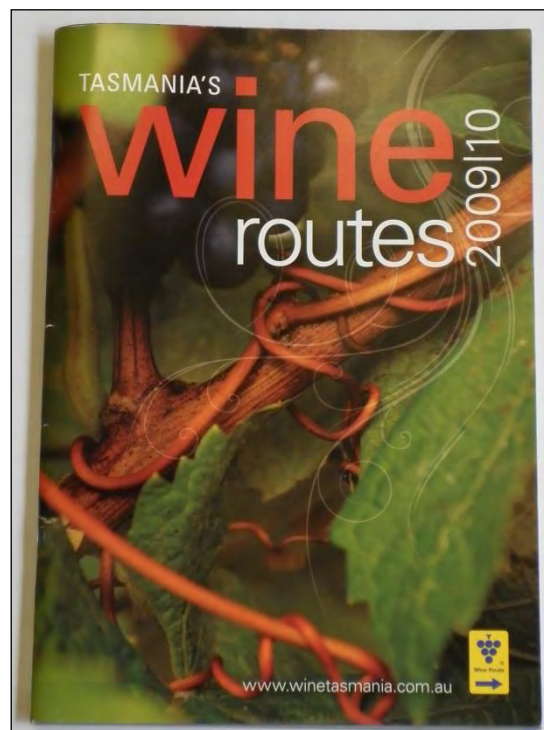


Image 4: Tasmania wine route brochure 2009/2010 edition published by Wine Industry Tasmania (WIT)



Image 5: Tamar Valley Wine Route brochure
2009/2010 edition published by the TVWR



Image 6: TVWR touring route signage